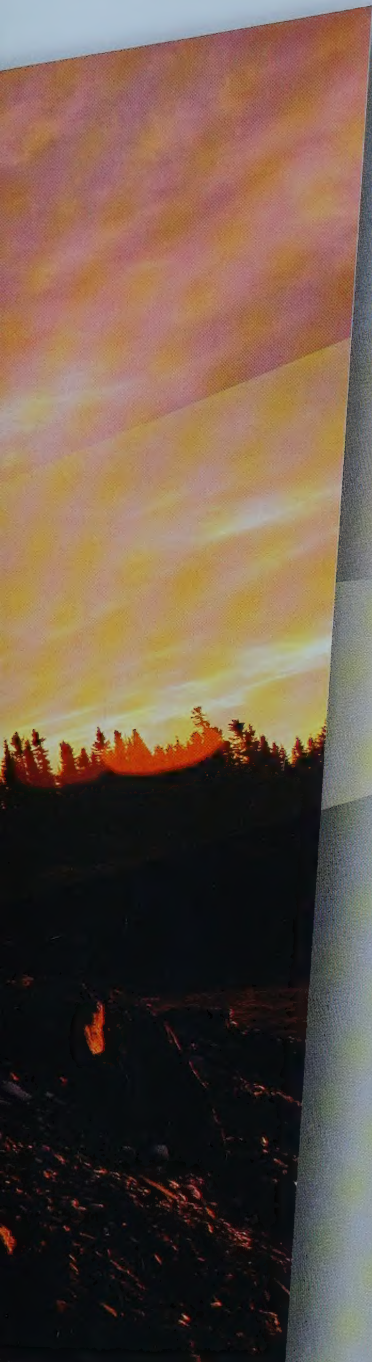
2005

CLAUDE RESOURCES


GOLD MINING & PROCESSING
OIL & GAS

Claude Resources Inc. Annual Report 2005



Highlights

Production Highlights

YEARS ENDED DECEMBER 31

	2005	2004
Gold (ozs)	42,200	41,200
Oil and NGLs (bbls)	83,000	90,900
Gas (MCF)	669,000	796,000

Operating Highlights

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)

	2005	2004
Mine operating earnings(1)	4,825	6,566
Oil and gas operating earnings(1)	1,833	1,786
Net loss	(3,505)	(598)
Net loss per common share	(0.05)	(0.01)
Cash flow from operations(2)	4,359	6,214
Cash from operations per common share(2)	0.07	0.10

(1) before depreciation and depletion

(2) before net change in non-cash working capital items

Expanded Asset Base Leading To Additional Production

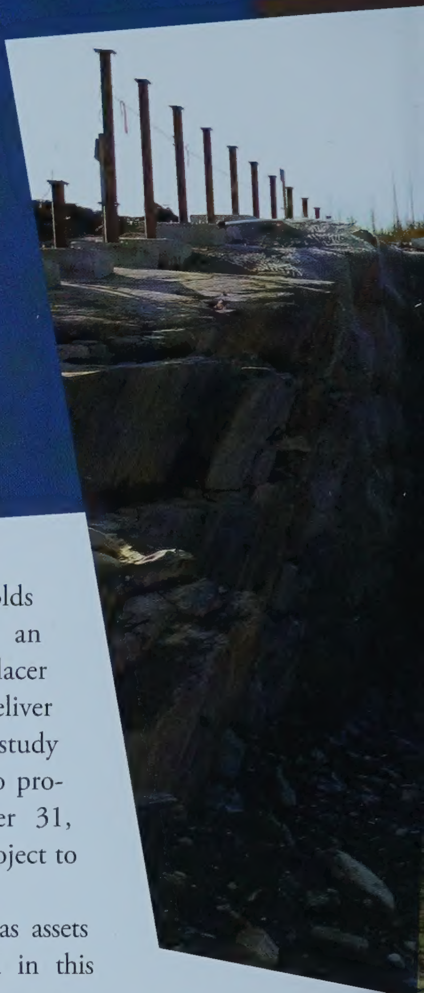
Arnie E. Hillier, Chairman of the Board, and Neil McMillan, President & Chief Executive Officer

This year marked the end of an era for Claude Resources Inc. when Bill MacNeill, the Company's chairman and leader for the past 25 years retired at the end of April. Our shareholders have been well served by Mr. MacNeill's leadership and it is our commitment and challenge to continue with the dedication, passion and commitment displayed by Bill over the years.

2005 was a year of steady progress for Claude Resources Inc. Gold production increased substantially over the second half of the year returning to historic levels by year end. Seabee mill expansion to 1,100 metric tonnes per day, a doubling of current capacity, was largely completed during 2005. Two satellite deposits, Porky and Santoy were advanced towards bulk sampling in 2006 and if these programs are successful they will result in a material increase in gold production in 2007.

The Company accelerated both underground and surface exploration drilling at Seabee during 2005 maintaining the mines historic 3 year reserve life but expanding resources at Seabee, Santoy and Porky Lake to nearly 3 million tonnes.

Activity at the Company's Madsen, Red Lake project stagnated during 2005 as a result of limited work by Placer Dome, who holds an option to earn an interest in Madsen. Placer Dome is required to deliver a bankable feasibility study to put the project into production by December 31, 2006, or return the project to Claude Resources Inc.

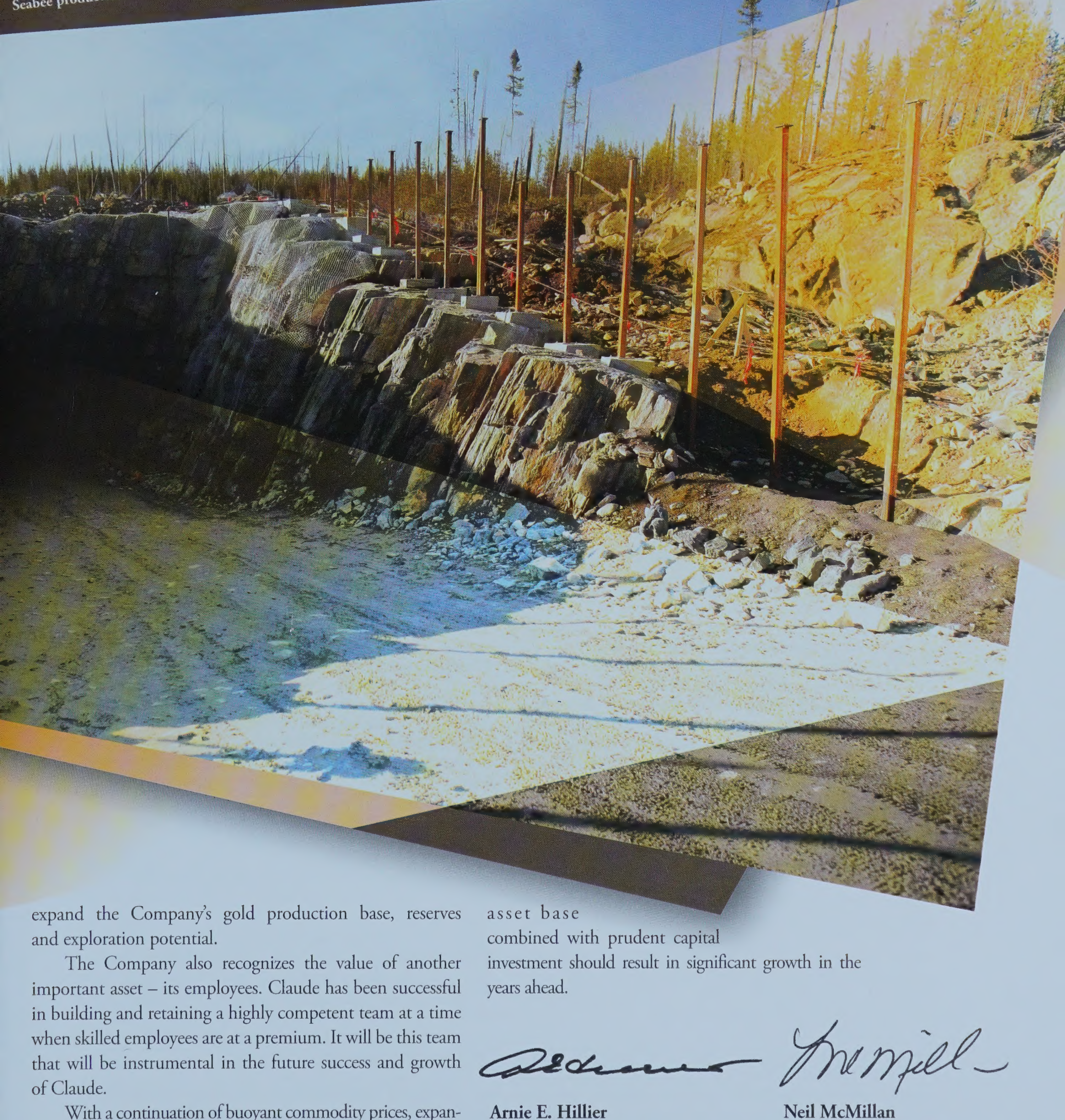


Claude's oil and gas assets performed as expected in this robust petroleum market generating increased cash flow from much higher oil and natural gas prices. Greatly increased capital investment in these assets over the past three years has resulted in a major expansion to reserves and as expected a much higher net asset value.

Gold prices continued to strengthen in US dollars during the year but this increase was largely offset by a corresponding strength in the Canadian dollar. Most junior mining stock prices remained flat throughout the year, including Claude's, but a rally in gold prices at the end of 2005 resulted in a late-year 25% improvement in the Company's share price.

The organic growth of the Company through the expansion of the Seabee operations is only one aspect of the Company's growth plan. Claude and its peers continue to face the challenge of growth in a market where assets are valued at a premium. The Company continues to assess financially viable acquisition opportunities to enhance the value of the Company to shareholders. These opportunities are assessed on many criteria, including the ability to

The Porky Lake underground bulk sampling program is under way and, if successful, could contribute to Seabee production as early as 2007.



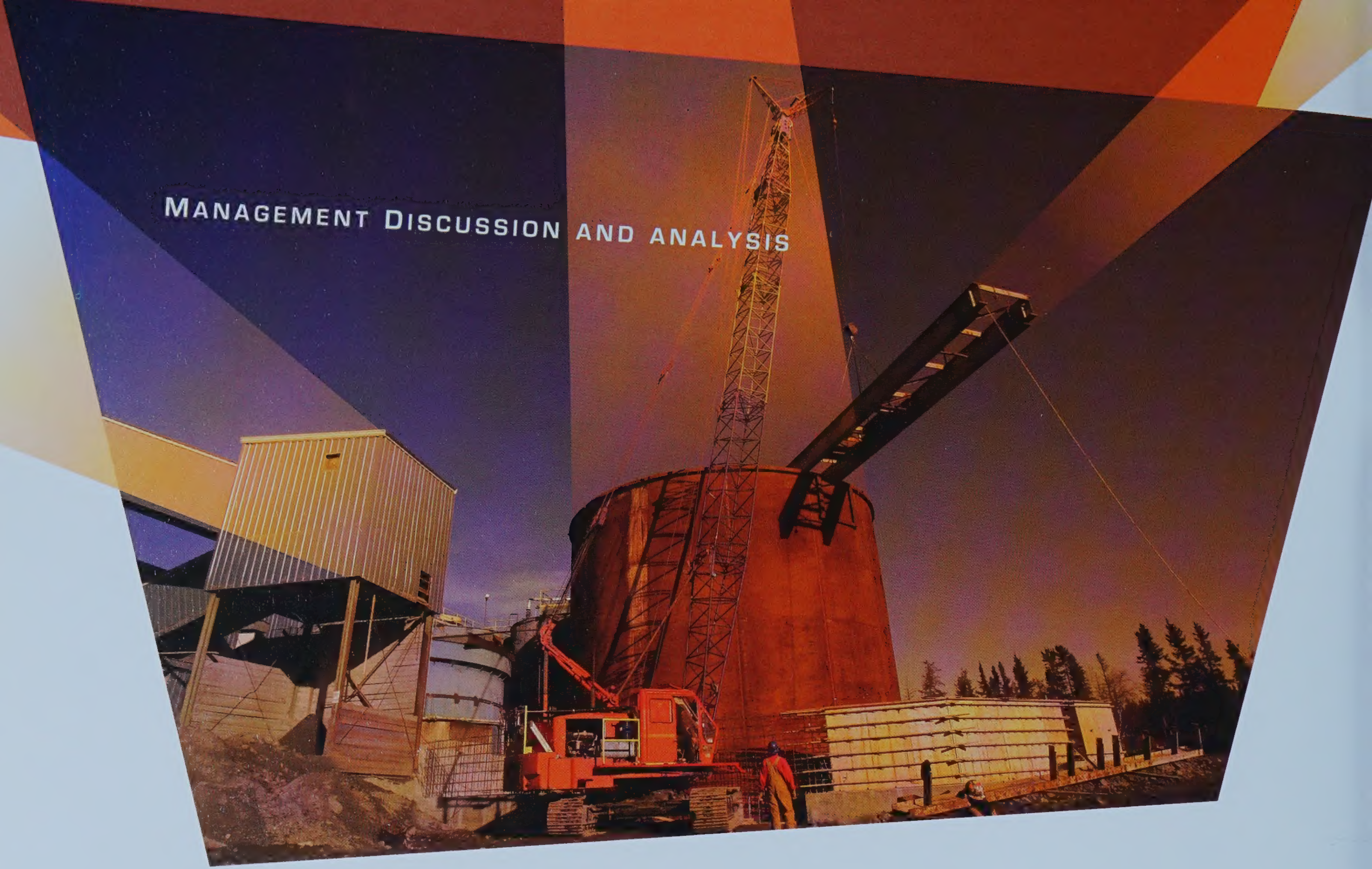
expand the Company's gold production base, reserves and exploration potential.

The Company also recognizes the value of another important asset – its employees. Claude has been successful in building and retaining a highly competent team at a time when skilled employees are at a premium. It will be this team that will be instrumental in the future success and growth of Claude.

With a continuation of buoyant commodity prices, expansion at the Seabee mine, renewed interest in the Madsen project and a strategy to acquire quality assets, Claude's Board of Directors and Management are optimistic that this momentum can be maintained. The Company's solid asset base combined with prudent capital investment should result in significant growth in the years ahead.

Arnie E. Hillier
Chairman

Neil McMillan
President &
Chief Executive Officer



Management Discussion and Analysis

The following discussion is a review of the financial performance and position of Claude Resources Inc. ("Claude") for the years ended December 31, 2005, 2004 and 2003. The information in this management discussion and analysis is current to March 17, 2006. The discussion should be read in conjunction with the Company's audited financial statements and notes to those statements. All amounts are expressed in Canadian dollars, except where otherwise indicated.

OVERVIEW

Claude Resources Inc. is a gold and oil & gas producer with shares listed on both the Toronto Stock Exchange and American Stock Exchange. The Company's main revenue generating assets are the 100% owned Seabee gold mine, located in northern Saskatchewan, and working interests in oil and gas wells, an associated gas plant and gathering lines located in Alberta.

The Company's primary mission is to grow into a 150,000 – 250,000 ounce per year gold producer. It follows four principal strategies to optimize its probability of success: maximizing the performance of its existing assets; aggressive exploration efforts – both advanced and grass roots; acquisition of new properties or mergers with other producers; and maintaining financial capacity.

Maximization of Existing Assets

Over the summer, the expansion of the Seabee mill was initiated. The increase from 550 tonnes to 1,100 tonnes per day will allow for greater flexibility in mine planning as well as ensure available capacity for tonnage from potential gold projects such as the Porky Lake and Santoy properties.

Improved petroleum and natural gas prices over the past two years have led to increased infill drilling on certain of the Company's oil properties. The benefits of these expenditures have already been realized with improved reserves.

Exploration

The majority of Claude's gold exploration efforts focus on land positions within trucking distance of the Seabee mine. In 2005, the Company received the necessary permitting to extract two separate bulk samples on its wholly owned Porky Lake and Santoy properties. Success in either of these projects could increase production significantly.

At the Madsen, Red Lake, Ontario property, located in the prolific Red Lake gold camp, Placer Dome ("Placer") has met the $8.2 million exploration expenditure required under the option agreement with Claude. It has until December 2006 to deliver a positive bankable feasibility study to fulfill its obligations and vest in the Madsen Joint Venture with a 55%

working interest. Should Placer fail to deliver the feasibility study the property reverts back to Claude in its entirety. Either circumstance could have a significant impact on capital requirements and earnings.

Acquisition/Mergers

While its existing asset base does not make Claude dependent on mergers or acquisitions to achieve its objectives, the Company will consider strategically attractive opportunities.

Financial Capacity

The Company must build its cash reserves and maintain access to financial markets to ensure continued funding of exploration efforts and expansion of mining projects.

With expansion of the Seabee mill, funded and aggressive exploration programs, and the Porky, Santoy and Madsen advanced stage exploration properties, Claude is well positioned to realize its objectives over the longer term.

2005 MINING OPERATIONS

In 2005, the Seabee mine produced 44,600 ounces of gold from 236,400 tonnes of ore at a grade of 6.32 grams per tonne. This represented a significant improvement over 2004 when the Company produced 40,900 ounces from 186,900 tonnes at a grade of 7.15 grams per tonne.

Production in the first three quarters of 2005 was below forecast, averaging less than 10,000 ounces per quarter. Ore mined increased steadily through the final two quarters of the year, resulting in 15,100 ounces produced in the fourth quarter of 2005. This substantial improvement brought total production in 2005 to within 3% of the 46,000 ounces forecast.

Operating Statistics

Years Ended	**2005**	**2004**	**2003**
Tonnes Mined	228,900	144,400	189,200
Tonnes Milled	236,400	186,900	208,900
Grade Processed (gpt)	6.32	7.15	7.95
Recovery (%)	92.86	95.21	94.71
Sales Volume	42,200	41,200	50,800
Production Volume	44,600	40,900	50,600

Total mine operating expenditures increased from $15.9 million in 2004 to $18.3 million this year. The 15% increase is attributable to the added costs associated with a 59% and 26% increase in tonnes mined and milled, respectively. As well, increased labour costs and general increases in consumables continue to impact operating margins.

Development costs during the year of $7.6 million were historically high, as maintaining mill throughput with stope grades performing at less than reserve estimates required the expedited development of additional working places. The main decline was developed down to the 790 metre level at the end of 2005 and will continue down to the 900 metre level in 2006. Should the underground drilling program below the No. 5 mine prove successful in laterally extending the Seabee ore body, expectations are that annual development requirements going forward will decrease.

2006 production at the Seabee mine is forecast at 48,000 ounces, a return to historic levels. Production is expected from the 2B, 2C and 161 ore bodies at depths between the 325 metre level and the 850 metre level.

In 2006, the Company will examine its mining technique at depth. Due to added ground pressure as the mine extends lower and the potential for added dilution, a longhole stope on the 820 metre level will be tested. This has the potential to not only mitigate dilution but also reduce operating costs.

Claude is planning in excess of 50,000 metres of underground drilling at Seabee to replace 2006 production and expand reserves and resources. This drilling will be focused on extending the Seabee ore body at depth and laterally to the east. Two main diamond drill chambers were completed on the 550 level to test the 5-1 and 5-2 structures under the old No. 5 mine workings. Drilling will commence in the first quarter of 2006.

The Seabee mill expansion to 1,100 tonnes per day from 550 tonnes per day was largely completed by year-end. The expanded mill will accommodate processing of ore expected from satellite deposits within trucking distance of the Seabee mill.

Each year, reserves and resources at the Seabee mine are independently reviewed. At February 1, 2006, reserves were at 684,400 tonnes at 6.55 grams per tonne or 144,200 ounces. Resources were 1,499,700 tonnes at 8.86 grams per tonne or 427,200 ounces. Over the past 14 years, the Company has successfully upgraded 100% of its posted resources to reserves.

Seabee Mine – Mineable Reserves and Mineral Resources

		2005			**2004**			**2003**	
	Tonnes	**Grade g/tonne**	**Gold Ounces**	**Tonnes**	**Grade g/tonne**	**Gold Ounces**	**Tonnes**	**Grade g/tonne**	**Gold Ounces**
Proven	395,600	6.18	78,600	400,500	6.37	82,000	187,400	7.72	46,500
Probable	288,800	7.07	65,600	332,200	7.53	80,400	487,300	7.39	115,800
Total Mineable Reserves	684,400	6.55	144,200	732,700	6.89	162,400	674,700	7.48	162,300
Inferred Mineral Resources[1]	1,499,700	8.86	427,200	1,406,200	8.16	368,900	1,987,000	8.45	539,800

(1) Mineral resources, all in the inferred category, stated after applying historic mining dilution factors.

EXPLORATION

Claude continued to aggressively pursue its strategy of exploring for gold satellite deposits within trucking distance of the Seabee mill. Most of this year's work was undertaken in the vicinity of the Seabee mine area, including the Porky Lake and Santoy Lake properties. Claude also completed work on the Jojay deposit in the La Ronge gold belt, and in the area of Claude's Tartan Lake mine in Manitoba.

In the area surrounding Seabee mine, 79 holes were drilled for a total of 17,374 metres.

Santoy Lake Area

At Santoy Lake, Claude completed a delineation drilling program at the Santoy 7 and Santoy 8 and 8 East zones. The Santoy property is approximately 11 kilometres east of the Seabee mine. The 2005 program area included 68 diamond drill holes totaling 15,296 metres. This drilling was carried out to test the north-northwest plunge and dip extensions of the mineralized shear structures outlined in previous drill campaigns. During the fourth quarter geological data was compiled generating a map covering the area from Santoy Zones 6 and 7 to Zones 8 and 8 East.

Mineralization is hosted in siliceous shear zones with sulfide-chlorite-quartz veins and in silicified granitoid sills. It has been confirmed that the Santoy 8 shear zone is at least 380 metres long and up to 350 metres wide. The zone plunges to the northeast and is open at depth. Mineralized sections of this zone range in thickness from 1.5 metres to 30 metres. It is possible that the 8 zone and the adjacent 150 metre long, 100 metre wide 8 East zone are interconnected. Both zones are still open and more drilling will be conducted during the winter season of 2006 to establish the dip and strike extents.

Inferred Mineral Resources of 910,000 tonnes were outlined at Santoy Lake. The grade of this Inferred Resource is estimated at 6.10 grams per tonne with a top cut of 30 grams per tonne or 8.70 grams per tonne without cutting. The cut-off grade used was 3.00 grams per tonne over 1.5 metres (approximately 1.2 metres true width). A specific gravity of 2.8 was used based on Seabee mine practice.

In October 2005, the Company received a permit from the necessary regulatory agencies to erect a bridge over the Munro crossing and a permit to bulk sample the Santoy 7 zone. Road construction to Santoy commenced in the spring of 2005 but was set back by the delay in obtaining a government permit to build the bridge. The Company expects to complete the Santoy 7 zone bulk sample extraction during the latter half of 2006. Pending positive results of the bulk sampling, Claude expects to mine the Santoy 7 zone deposit in 2007.

Porky Lake Area

Approval to conduct bulk sampling of the Porky West zone was granted in early June and physical work has begun at the site with the collaring of the portal. Approximately 880 metres of decline is planned to the 130 metre level, from which a 5,000 tonne sample will be extracted. The underground bulk sampling program is underway to confirm grade, continuity and metallurgy of the gold mineralization. To date, the West zone has an estimated indicated resource of 90,000 tonnes grading 7.33 grams per tonne and an estimated inferred resource of 130,000 tonnes grading 5.00 grams per tonne. At the end of 2005, the ramp had advanced approximately 125 metres with the remainder of the program to be completed in 2006. Pending positive results of the bulk sampling, Claude expects to mine the Porky West deposit in 2007.

More than 1.5 million tonnes of resources were added to Claude's resource inventory in the area beyond the Seabee mine:

Porky Lake Area Resources

Zone	Category	Tonnage	Grade (g/t)	Grams of Au	Troy Ounces
West	Indicated	90,000	7.33	659,700	21,200
	Inferred	130,000	5.00	650,000	20,900
Main	Indicated	160,000	7.50	1,200,000	38,600
	Inferred	70,000	10.43	730,100	23,500
Total	Indicated & Inferred	450,000	7.20	3,239,800	104,200

Santoy Lake Area Resources

Zone	Category	Tonnage	Grade (g/t)	Grams of Au	Troy Ounces
Santoy 7	Indicated	190,000	8.42	1,599,800	51,400
	Inferred	10,000	10.0	100,000	3,200
Santoy 8/8 East	Indicated	-	-	-	-
	Inferred	910,000	6.10	5,551,000	178,500
Total	Indicated & Inferred	1,110,000	6.53	7,250,800	233,100
Total Porky & Santoy Resources		**1,560,000**	**6.72**	**10,490,600**	**337,300**

Seabee Mine Area

Prospecting and follow up trenching was conducted in the immediate area of the Seabee mine. Gold bearing shear zones were found in a valley just north of the mine's air strip at Herb Lake and Afghan Lake, respectively. These showings were found by following structures into areas of thick overburden and bog, stripping the overburden and then blasting a trench in the rock to provide samples. All three areas will be further explored by diamond drilling during 2006.

The east-west, metasediment hosted shear zone discovered in a valley just north of the mine's air strip is a shear zone about 5 metres wide at surface and composed of sulphides and tourmaline in quartz veins with gold. Samples from trenching indicate a grade of 4.0 grams per tonne of gold over the 5 metres of shearing. A minimum of 600 metres of drilling is planned for this showing.

At Herb Lake, about 1.5 kilometres northwest of the Seabee mine head frame, a 4 metre wide shear zone in gabbro assayed 3.90 grams per tonne of gold over a 1 metre wide section. A mafic band off the main section of the shear returned two spectacular assays of 129 grams per tonne and 108 grams per tonne. At Afghan Lake, a 3 metre wide shear zone at the contact between gabbro and diorite contained a 0.5 metre wide zone grading 3.67 grams per tonne. An 800 metre diamond drill program to test the down dip extension of both the Herb Lake and Afghan Lake shears will begin in 2006.

Madsen

In 2005, Placer delivered its final 2004 exploration report for the Madsen property. (see March 30, 2005 press release "New High Grade Zones Discovered at Madsen" at www.clauderesources.com). The property is located at Madsen, Ontario in the prolific Red Lake gold camp. Placer did not conduct any field exploration on the Madsen property in 2005. By the end of 2004, Placer has spent a total of $8.6 million on the property, $400,000 more than required by the option agreement with Claude. As per the agreement, Placer has until December of 2006 to deliver a positive bankable feasibility study to fulfill its obligations and vest in the Madsen Joint Venture with a 55% working interest.

OIL & GAS

Claude produces crude oil, natural gas and natural gas liquids (NGLs) from properties in Alberta and Saskatchewan.

The Company has various non-operating working interests in oil, NGLs and natural gas in Alberta. These Alberta properties provide 96% of total production. The Nipisi Unit is a 173 well unitized oil field operated by Canadian Natural Resources Ltd. The Edson Gas Unit has 53 producing gas wells and an associated gas plant, all operated by Talisman Energy. In addition to these properties, the Company has interests in producing oil and gas wells at a number of other Alberta locations.

In Saskatchewan, the Company has a 75% working interest in six producing vertical oil wells along with a 33.75% interest in four producing horizontal wells.

Oil and NGLs sales volume for 2005 was 83,000 barrels, 9% lower than the 90,900 barrels sold in 2004. Gas volume declines were 16%, with volume levels decreasing from 796 MMCF in 2004 to 669 MMCF in 2005.

Operating costs increased 19% from $1.6 million in 2004 to $1.9 million this year. This was attributable to salt water disposal and emulsion treatment charges on the Zama property.

For 2006 the Company expects production decline percentages to improve, especially on the Nipisi, where seven infill wells were drilled in 2005.

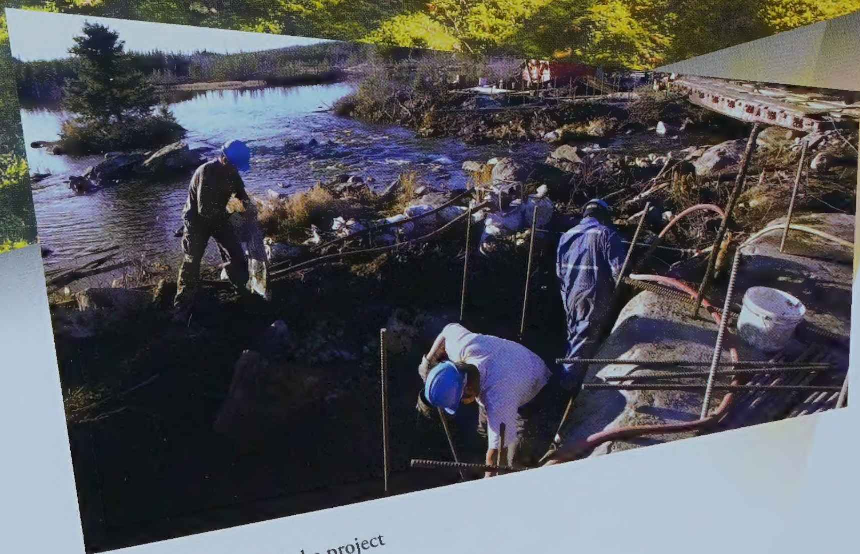
Each year the Company has its proven and probable oil, NGLs and natural gas reserves evaluated independently. Crude oil and NGLs proved and probable reserves increased by 57% from 702,000 barrels at the end of 2004 to 1,099,000 barrels at the end of this year. This increase is largely attributable to successful infill drilling on the Nipisi Unit and improved oil and NGLs prices. Natural gas reserves remained relatively unchanged at 8,900 MMCF. Natural gas reserve declines due to production were offset by much improved natural gas prices.

Reserves[1]	**2005**	2004	2003
Crude oil and NGLs (mbbl)			
Proved			
Alberta	806	455	339
Saskatchewan	60	66	44
	866	521	383
Probable			
Alberta	215	174	131
Saskatchewan	18	7	5
	233	181	136
Total	1,099	702	519
Natural gas (MMCF)			
Proved			
Alberta	7,539	7,167	5,861
Probable			
Alberta	1,313	1,775	1,857
Total	8,852	8,942	7,718
Barrels of oil equivalent (mboe)[2]			
Proved	2,123	1,716	1,360
Probable	452	477	445
Total	2,575	2,193	1,805

(1) Reserves at December 31, 2005, reviewed by Sproule Associates Limited using constant prices.

(2) Conversion: 6 mcf=1 boe

Environmental precautions have been taken to ensure the careful management of the area.



The Munroe Bridge Crossing, on the road to Claude's new Santoy Lake project near the Seabee mill, has been developed to minimize environmental impact.

RESULTS OF OPERATIONS

For the year ended December 31, 2005, Claude recorded a net loss of $3.5 million, or $0.05 per share, compared to a net loss of $.6 million, or $0.01 per share, in 2004 and net earnings of $1.8 million, or $0.03 per share, in 2003. This year's increased loss over 2004 was due to a combination of increased mine operating costs and non-cash charges, primarily depreciation and depletion, offset by a gain on the sale of certain investments and an income tax recovery related to the issuance of flow-through shares. The loss in 2004 versus 2003 earnings was due primarily to reduced gold revenue offset by improvements in mine operating costs.

Revenue

2005 versus 2004

Gross revenue for the year increased 7% from $32.2 million in 2004 to $34.3 million in 2005.

The Seabee mine contributed $23.1 million to revenue, a 3% improvement from the $22.5 million recorded in 2004. This improvement was largely a result of 1,000 more ounces sold during the year (2005 – 42,200; 2004 – 41,200). An 8% increase in the average US dollar gold price realized was almost entirely offset by the strengthening Canadian dollar and resulted in minimal improvement in Canadian dollar prices realized: 2005 - $548 (US $452); 2004 - $545 (US $419).

Production of 44,600 ounces for 2005 was 3% below the forecast of 46,000 ounces. This was largely due to fewer tonnes mined and milled combined with certain stoping blocks not performing to estimated reserve grade, primarily during the first three quarters of the year.

Gross oil, NGLs and natural gas revenues totalled $11.1 million in 2005, a 14% improvement from the $9.7 million in 2004. This increase was due to higher averaged realized prices, particularly towards the latter half of the year, partially offset by normal production declines. Corresponding increases in both Alberta crown royalties and overriding royalties mitigated the increase in net revenue.

The 2005 oil and NGLs sales volume of 83,000 barrels was 9% lower than the 90,900 barrels sold the previous year. The average realized price per barrel in Canadian dollar terms improved 6% to CDN $49.55 (US $40.94) in 2005 from CDN $46.92 (US $36.06) last year.

Natural gas volumes fell 16% from 796 MMCF in 2004 to 669 MMCF in 2005. The average realized price in Canadian dollar terms increased by 34% from CDN $6.51 (US $5.00) in 2004 to CDN $8.74 (US $7.22) this year.

Also significant is the much improved average Canadian dollar prices realized in January versus December of 2005. Oil, NGLs and gas improved from $55.77, $30.63 and $6.78 in January to $66.04, $42.40 and $11.60 in December, respectively.

2004 versus 2003

Gross revenue for the year fell 9% from $35.2 million in 2003 to $32.2 million in 2004.

Gold revenues fell 13% year over year from $25.8 million in 2003 to $22.5 million in 2004. Much of this was due to a 19% decline in sales volume, from 50,800 ounces in 2003 to 41,200 ounces in 2004. Partially offsetting the volume decline was the 7% improvement in average Canadian dollar gold price realized: 2004 - $545 (US $419); 2003 - $508 (US $362). Excluding the strengthening Canadian versus US dollar exchange rate, revenue growth would have increased an additional $1.8 million, or $0.03 per share.

Production in 2004 was 22% below budget. This was a result of reduced tonnes broken and then milled at grade below the mine's long-term average. Grade decline was attributed chiefly to drill results from certain stoping blocks not translating when mined and milled. This led to fewer workplaces and reduced tonnes for mill feed.

Gross revenues from the Company's oil, NGLs and natural gas properties improved 4% over 2003. This was largely due to stable production and improved average prices realized year over year. An increase in the Alberta properties overriding royalty reduced the gross revenue improvement effect as net oil and gas revenues remained relatively constant.

The 2004 oil and NGLs sales volume of 90,900 barrels was relatively unchanged from the 91,200 barrels sold in 2003. The minimal decline was due to drilling success at the Nipisi properties. The average realized price per barrel was $46.92 (US $36.06) in 2004 versus $38.49 (US $27.43) in 2003. Excluding the foreign exchange rate impact, oil and NGLs revenue growth would have improved by an additional 8%.

Gas volumes fell less than 1% from 800 MMCF in 2003 to 796 MMCF in 2004. Although the average US dollar price realized improved 8%, the strengthening Canadian dollar resulted in little dollar value increase in Canadian dollar terms: 2004 - $6.51 (US $5.00); 2003 - $6.48 (US $4.62).

Expenditures

2005 versus 2004

A 59% and 26% increase in tonnes mined and milled for 2005 compared to 2004, resulted in a 15% increase in mine operating costs: 2005 - $18.3 million, 2004 - $15.9 million. As well, the Company is experiencing the industry-wide effects of increasing labour and consumable costs. Total cash cost per ounce increased from US $297 in 2004 to US $358 this year. This 21% increase was a result of the higher operating costs offset by the slightly improved sales volume. The strengthening Canadian dollar was responsible for US $25 of this year's US $63 unit cost increase.

Oil, NGLs and gas operating costs increased to $1.9 million this year from $1.6 million in 2004. This was a result of salt water disposal and emulsion treatment charges on the Zama property – primarily the Keg River Unit.

General and administration expenditures remained relatively unchanged year over year. Interest and other items fell slightly, largely due to interest charges on the $5.0 million dollars borrowed in February 2005.

Depreciation and depletion of the Company's gold assets was $9.7 million in 2005 compared to $6.0 million last year. Several factors contributed to the 62% increase: larger asset base used in calculations, more tonnes broken and milled in the year, and slightly declining reserve base. These higher non-cash charges together with the strengthening Canadian dollar led depreciation and depletion cost per ounce to increase from US $112 in 2004 to US $191 this year.

Depreciation and depletion of the Company's oil and gas assets remained relatively unchanged, a result of the larger asset base used in the units of production calculation offset by the increased reserve base.

2004 versus 2003

The 12% reduction in mine operating costs from $18.0 million in 2003 to $15.9 million in 2004 was partially a result of the shaft extension commissioned in November 2003 and the 24% and 11% decline in tonnes mined and milled, respectively. This was due to grade under-performance in certain stopes compared to reserve estimates, resulting in fewer working places and fewer tonnes mined and milled. Lower sales volume and the strengthening Canadian dollar led to increases in total cash operating cost per ounce, from US $253 in 2003 to US $297 in 2004. The strengthening Canadian dollar was responsible for US $22 of the 2004 unit cost increase.

Oil and gas operating costs increased slightly from $1.3 million in 2003 to $1.6 million in 2004. This was attributed to the higher maintenance costs associated with aging property infrastructures.

General and administrative costs increased 8% year over year. Costs associated with the Company's listing on the American Stock Exchange was a key factor in the increase. Interest and other items improved slightly and the provision for income tax, which represents large capital tax, improved due to changes in federal tax laws.

Depreciation and depletion of Claude's gold assets was $6.0 million in 2004 compared to $5.4 million in 2003, the result of using a larger asset base in the calculation offset by fewer tonnes mined and milled in 2004. Depreciation and depletion cost per ounce in 2004 was US $112 versus US $75 in 2003, largely attributable to fewer ounces sold.

Depreciation and depletion of the Company's oil and gas assets increased 40% from $.5 million in 2003 to $.7 million in 2004. This was due to the larger capital asset base used in the calculation offset by improved reserves.

Other Income

During the year, the Company disposed of a portion of its investment portfolio, realizing a gain of $1.4 million.

Income Taxes

The income tax recovery of $1.3 million was the estimated income tax benefit arising from the issuance of flow-through shares in 2004 and the subsequent renouncement of those expenditures in 2005.

Liquidity and Financial Resources

Cash flow from operations before net change in non-cash working capital items was $4.4 million in 2005, or $0.07 per share, compared to $6.2 million, or $0.10 per share, in 2004 and $7.7 million, or $0.14 per share, in 2003. This year's 29% decrease over 2004 was due to lower contributions from the Seabee mine while reduced contributions

Total Cash Costs[1] per Gold Ounce Sold

Years ended		2005		2004		2003
Cash operating costs (CDN$ millions)	$	18.3	$	15.9	$	18.0
Divided by ounces sold		42,200		41,200		50,800
Total cash cost per ounce (CDN$)	$	434	$	386	$	355
CDN $ Exchange Rate		1.2116		1.2997		1.4032
Total cash cost per ounce (US$)	$	358	$	297	$	253

[1]For an explanation of the use of non-GAAP performance measures refer to page 17.

from both gold and oil and gas assets resulted in the 19% decrease in 2004 over 2003.

Investing

Mineral property expenditures of $17.6 million in 2005 increased from $13.3 million in 2004 and $14.9 million in 2003. This year's expenditures were comprised of the following: Seabee mine development of $7.6 million (2004 - $8.6 million, 2003 - $5.9 million); exploration costs, focusing on the Porky and Santoy Lake bulk sample projects of $4.4 million (2004 - $3.2 million, 2003 - $1.7 million); property, plant and equipment charges of $5.0 million (2004 - $.8 million, 2003 $6.2 million); Seabee mine tailings project of $.3 million; and the Tartan lake project of $.4 million. 2005 property, plant and equipment charges include mill expansion costs of $3.9 million. The expanded mill, initiated to mitigate ore grade volatility and accommodate the potential for additional ore from sources other than the Seabee mine, will be commissioned in 2006.

Oil and gas capital expenditures of $2.3 million during the year increased from $2.0 million in 2004 and $1.8 million in 2003. Similar to last year, $1.3 million relates to drilling on both the Nipisi and Edson Units and $1.0 million relates to infrastructure costs on the Nipisi unit and Edson gas plant.

The Company received a promissory note in the amount of $14.0 million as part of the production royalty transaction (see Note 8 to consolidated financial statements). The Company sold a similar production royalty at the end of 2004 for $7.0 million.

During the year, the Company disposed of a portion of its investment in a public company for proceeds of $1.5 million. The Company holds shares in a number of publicly traded entities which have a book value of $.5 million and fair market value of $6.7 million at December 31, 2005.

Financing

Financing activities in 2005 included a private placement for the issue of 4,023,100 common shares at $1.00 per share and 4,547,273 common shares, issued on a flow-through basis for $1.10 per share, for gross proceeds of $9,025,000; and 1,999,999 common shares, issued on a flow-through basis for $1.05 per share, for gross proceeds of $2,100,000.

The Royalty Obligation of $14.0 million refers to the royalty payment received related to the production royalty transaction (see Note 8 to the consolidated financial statements). The Company sold a similar production royalty at the end of 2004 for $7.1 million.

In February 2005, for general working capital purposes and to assist in financing the mill expansion, the Company borrowed $5.0 million in the form of a demand loan bearing interest at 5.99%, repayable in monthly principal and interest payments of $96,514 and maturing in February 2010. The Company repaid $.7 million during the year.

The proceeds from a capital lease obligation relate to a 40-ton ore truck acquired for the Porky and Santoy Lake bulk samples. Repayments are in respect of this lease as well as an existing lease obligation relating to a diamond drill leased in 2002.

In 2006, the Company expects to meet its operating and capital cash flow requirements through a combination of operating cash flows, sale of portfolio investments and equity issues.

Contractual Obligations

The Company's contractual and other obligations as at December 31, 2005 are summarized as follows:

	Payments/Commitments due by period				
	Total	**Less than 1 year**	**2-3 years**	**4-5 years**	**More than 5 years**
Demand Loan	4,261,000	928,000	3,141,000	192,000	-
Interest on Demand Loan	565,000	230,000	333,000	2,000	-
Capital Lease Obligation	229,000	83,000	146,000	-	-
Office Lease	420,000	120,000	240,000	60,000	-
Flow-Through Expenditure	5,300,000	5,300,000	-	-	-
Royalty Obligation(1)	21,112,000	599,000	2,517,000	2,635,000	15,361,000
	31,887,000	7,260,000	6,377,000	2,889,000	15,361,000

(1) To repay this Royalty Obligation, funds are available from the Promissory Note.

Contingency

Pursuant to a Notice of Contravention issued by Saskatchewan Labour, Occupational Health and Safety Division, dated March 17, 2003, the Company was ordered to reinstate three workers and reimburse them for lost pay and benefits. The contravention alleges that the Company dismissed these employees contrary to the Occupational Health and Safety Act. The contravention was appealed to the Executive Director, an adjudicator and subsequently to the Court of Queen's Bench. In September, 2005, the Court of Queen's Bench agreed with the Company's position, allowing the appeal and setting aside the contravention. This Court's decision is currently under appeal by the plaintiffs. The amount of potential loss may involve payment of approximately 18 months in back pay to each of the employees and will be recognized in earnings at the time of settlement, if any. Management is of the opinion these claims are without merit.

Derivative Instruments and Hedging Activities

To mitigate the effects of price fluctuations in revenues, Claude may undertake hedging transactions, from time to time, in respect of foreign exchange rates and the price of gold.

At December 31, 2005, the Company had no outstanding forward gold contracts. At December 31, 2004, the Company had outstanding forward gold contracts related to 2005 production of 4,000 ounces at an average price of US $417 per ounce. At December 31, 2003, the Company had outstanding forward gold contracts related to 2004 production of 6,000 ounces at an average price of US $388 per ounce.

At December 31, 2005, the Company had no outstanding foreign exchange contracts. At December 31, 2004, the Company had outstanding foreign exchange contracts to sell US $5.5 million at an average exchange rate of 1.2611 CDN$/US$. At December 31, 2003, the Company had outstanding foreign exchange contracts to sell US $9.8 million at an average exchange rate of 1.3446 CDN$/US$.

ACCOUNTING ESTIMATES

Claude's significant accounting policies are contained in Note 1 to the consolidated financial statements. The following is a discussion of the accounting estimates that are critical in determining the Company's financial results.

Reserves

The Company engages independent professional consultants to evaluate its mineral reserves as well as its proved and probable oil, NGLs and natural gas reserves. Estimation of reserves involves the exercise of judgment. Forecasts are based on geological, geophysical, engineering and economic data, all of which are subject to many uncertainties and interpretations. The Company expects that over time reserve estimates may be revised upward or downward based on updated information. Such information may include revisions to geological data or assumptions, a change in economic data, and the results of drilling and exploration activities. Reserve estimates can have a significant impact on net earnings, as they are a key component in the calculation of depreciation and depletion. In addition, changes in reserve estimates, gold or petroleum prices, and future operating and capital costs can have a significant impact on the impairment assessments of the assets.

Asset Retirement Obligations

Claude's mining, exploration and development activities are subject to various levels of federal and provincial law as well as environmental regulations, including requirements for closure and reclamation. Management judgment and estimates are made when estimating reclamation and closure costs. In some cases, these costs will be incurred many years from the date of estimate. Estimates may be revised as a result of changes in government regulations or assumptions.

Shrinkage Stope Platform Costs

The Company utilizes shrinkage stoping as its primary mining method to mine the Seabee mine orebody. Under this method, ore used as a working platform to access and mine further ore is valued at the lower of cost and net realizable value, and recorded as shrinkage stope platform costs on the balance sheet. This broken ore is reclassified to inventory once removed from the stope and taken to surface. If actual tonnage and grade vary significantly from estimates or if the price of gold declines such that the timing of processing the ore is affected, there could be a material impact on the profitability of mining operations.

RISK MANAGEMENT

Claude's profitability is dependent on several factors: the quantity of gold and oil & gas produced, related commodity prices, operating costs, capital expenditures, exploration levels and environmental regulations.

Inherent Exploration and Mining Risks

The exploration for and development of mineral deposits involves significant risks, which even the combination of careful evaluation, experience and knowledge may not eliminate. It is impossible to guarantee that current or future exploration programs on existing mineral properties will establish reserves. Whether an orebody will continue to be commercially viable depends on a number of factors. These include particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as metal prices, which cannot be predicted and have been highly volatile in the past.

Non-Operator Status of Oil and Gas Properties

All of Claude's Alberta oil and gas properties are operated by others, as such, the Company has little or no control over the operation of these assets. The Company relies on the operators to ensure they are following best industry

practices and thereby mitigating potential risks. The risk factors inherent in the Company's oil and gas operations are similar to those of its gold operations.

Gold Price Volatility

The economics of developing gold properties is affected by many factors, from cost of operations to variations in the grade of ore mined and the price of gold. Depending on the price of gold, the Company may determine that it is impractical to commence or continue commercial production. The price of gold has fluctuated in recent years. During the year ended December 31, 2005, the market price for gold ranged from a low of US $411 to a high of US $537, with an average price of US $445.

Any significant drop in the price of gold adversely impacts Claude's revenues, profitability and cash flows. Also, sustained low gold prices may cause the cessation of new mining projects; decrease the amount of capital available for exploration activities; reduce existing reserves by rendering blocks with grades marginally above mine cut-off uneconomic; or cause the write-off of an asset whose value is impaired by the low price of gold.

Foreign Exchange Risk

The price of gold and oil & gas is denominated in US dollars and, accordingly, Claude's revenues from operation of the Seabee mine are denominated and received in US dollars. As a result, fluctuations in the US dollar against the Canadian dollar could result in unanticipated changes in the Company's financial results, which are reported in Canadian dollars. During the year ended December 31, 2005, CDN$/US$ exchange rate ranged from a low of $1.1507 to a high of $1.2704, with an average of $1.2116.

Ore Reserves and Ore Grade Estimates

Claude has assessed its mineral reserves and mineral resources, and while the Company believes that the calculation methods used are appropriate, such calculations are estimates. As well, estimates of mineral reserves and mineral resources are inherently imprecise and depend to some extent on statistical inferences drawn from limited drilling, which may prove unreliable. The indicated level of recovery of gold or other minerals may not be realized. Market price fluctuations of gold or other minerals may render reserves and deposits containing relatively lower grades of mineralization uneconomic. Moreover, short-term operating factors related to the mineral reserves, such as the need for orderly development of the deposits or the processing of new or different grades, may cause mining operations to be unprofitable in any particular period.

Environmental Risk

In connection with its operations and properties, Claude is subject to extensive and changing environmental legislation, regulation and actions. The Company cannot predict what environmental legislation, regulation or policy will be enacted or adopted in the future or how future laws and regulations will be administered or interpreted. The recent trend in environmental legislation and regulation is generally toward stricter standards, a trend that is likely to continue in the future. Compliance with more stringent laws and regulations, as well as potentially more vigorous enforcement policies or stricter interpretation of existing laws, may necessitate significant capital outlays. It may also materially affect Claude's results of operations and business, or cause material changes or delays in the Company's intended activities.

Unfavourable Government Regulatory Changes

Claude is affected to varying degrees by government regulations that relate to mining operations, the acquisition of land, pollution control and environmental protection, safety, production and expropriation of property. Changes in these regulations or in their application are beyond the control of the Company and may adversely affect its operations, business and results of operations. Failure to comply with conditions set out in any permit or failure to comply with applicable statutes and regulations may result in orders to cease or curtail operations or to install additional equipment. The Company may be required to compensate those suffering loss or damage by reason of its operating or exploration activities.

Operations may also be affected by government regulations with respect to restrictions on production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and mine safety.

Access to Funding

Claude's ability to continue or expand its production, exploration and development activities depends in part on its ability to generate revenues from its operations or to obtain financing through joint ventures, debt financing, equity financing, production sharing arrangements or other means.

If the Company fails to meet its ongoing obligations on a timely basis it could result in the loss or substantial dilution of its interest (as existing or as proposed to be acquired) in its properties. In addition, management estimates that, after the completion of the bulk samples at the Porky and Santoy properties, $2.0 million to $2.5 million is the minimum exploration expenditure required to fulfill Claude's intended exploration programs.

As a result of two flow-through share agreements entered into in 2005, the Company is required to expend $7.1 million in qualifying Canadian Exploration Expenses, as defined by the Canadian Income Tax Act, prior to December 31, 2006. At December 31, 2005, $5.3 million remains to be incurred.

For general working capital purposes and to finance the mill expansion the Company raised $5.0 million via a demand loan during the first quarter of 2005. In December, the Company leased a 40 ton haul truck to be used on the Porky and Santoy Lake property bulk samples.

Doubling the capacity of the Seabee mill will accommodate
the processing of ore from satellite deposits.

Industry Competition

Claude's business is intensely competitive. The Company necessarily competes with other mining companies, some of which have greater resources and experience. Competition in the precious metals mining industry is primarily for mineral-rich properties that can be developed and produced economically. There is also competition for the technical expertise to find, develop and produce such properties; the labour to operate them; and the capital to finance their development.

If the Company is unable to compete with other mining companies for these mineral deposits, it could have a material adverse effect on Claude's results of operations and business.

Title to Company Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Claude has investigated title to all of its mineral dispositions and has obtained title opinions with respect to its most significant properties. To the best of the Company's knowledge, titles to all properties are in good standing. For the Madsen properties, Claude has searched title records for any and all encumbrances. For the Seabee property, the Company has examined disposition search abstracts from Saskatchewan Industry & Resources as well as made inquiries and reviewed lease files from the department. It has also received confirmation from Saskatchewan Environment.

The title to the Company's properties could be challenged or impugned. The properties may have been acquired in error from parties who did not possess transferable title, may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects.

Insurance

In the course of exploration, development and production of mineral properties, certain risks may occur, in particular, unexpected or unusual operating conditions such as rock bursts, cave-ins, fire, flooding and earthquakes. It is not always possible to fully insure against such risks and Claude may decide not to insure as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increased costs and a decline in the value of the Company's securities.

OUTLOOK

For 2006, Claude's gold sales volume is expected to improve over 2005 actuals by 14% to approximately 48,000 ounces, with mine operating costs budgeted at $18.4 million. Depreciation and depletion on gold assets is budgeted to increase by 10% to $10.7 million if targeted tonnes mined and milled are attained. Capital expenditures for mineral properties are budgeted as follows:

- development costs similar to 2005 at $7.3 million, this amount could be less should the underground drilling program prove successful and allow development to proceed laterally rather than to depth;
- infrastructure costs should decline substantially as the mill expansion will be complete;
- exploration costs, funded by two separate flow-through share issues, should be approximately $5.0 - $6.0 million. This amount continues to be larger than historical averages, as the Company expects to complete the extraction of two separate bulk samples at the Porky Lake and Santoy Lake properties and continues to aggressively drill targets in and around the Seabee mine.

Oil and gas revenues are expected to remain similar to 2005. Operating costs for 2006 are also expected to remain constant or improve slightly. In 2006, oil and gas capital expenditures should be approximately $1.5 million. Depreciation and depletion costs should remain the same as 2005.

By the fourth quarter, the Company expects to be in a position to process tonnes from the Porky and Santoy bulk samples. Success at either or both projects could lead to a production increase as early as the first quarter of 2007.

KEY SENSITIVITIES

Earnings from Claude's gold and oil & gas operations are sensitive to fluctuations in both commodity and currency prices. The key factors and their approximate effect on earnings, earnings per share and cash flow, based on assumptions comparable to 2005 actuals, are as follows:

Gold

For a US $10 price movement in gold price per ounce, earnings and cash flow will have a corresponding movement of CDN $.6 million, or $0.01 per share. For a $0.01 movement in the US$/CDN$ exchange rate, earnings and cash flow will have a corresponding movement of $.3 million.

Oil & NGLs

For a US $5 price movement in oil price per barrel, earnings and cash flow will have a corresponding movement of CDN $.5 million, or $0.01 per share. For a $0.01 movement in the US$/CDN$ exchange rate, earnings and cash flow will have a corresponding movement of $.04 million.

Gas

For a US $1 price movement in gas price per MCF, earnings and cash flow will have a corresponding movement of CDN $.8 million, or $0.01 per share. For a $0.01 movement in the US$/CDN$ exchange rate, earnings and cash flow will have a corresponding movement of $.01 million.

FOURTH QUARTER RESULTS AND SELECTED FINANCIAL INFORMATION

Claude recorded net earnings of $1.0 million, or $0.01 per share, after a $1.4 million gain on the sale of investments. This compares to a net loss of $.3 million, or 0.00 per share, for the same period last year. Cash flow from operations before net change in non-cash working capital items of $2.1 million, or $0.03 per share, during the quarter is relatively unchanged from the $2.0 million, or $0.03 per share, recorded for the fourth quarter of 2004.

Total revenue generated for the fourth quarter of 2005 was $11.4 million, 30% higher than the $8.8 million reported for the same period in 2004. The Seabee mine contributed $7.9 million to revenue for the period, a 25% improvement over the $6.3 million reported last year and a 65% increase over revenue generated in the third quarter of 2005. Fourth quarter 2005 gold sales volume and production volume improved over same quarter 2004 volumes by 23% and 42%, respectively. This is attributable to a 38% quarter over quarter improvement in tonnes mined, which led to 42% more tonnes milled. The average realized gold price for the quarter was CDN $569 (US $485) compared to CDN $560 (US $459) for the same quarter in 2004.

Oil and gas revenues for the quarter improved significantly from $2.5 million in 2004 to $3.4 million this quarter. This was a combination of normal production decline offset by 14% and 81% improvements in Q42005 over Q42004 average Canadian dollar oil and NGLs and gas prices realized, respectively.

Mine operating costs for the quarter were $5.8 million, a 35% increase from the $4.3 million recorded for the comparable period in 2004. This was due largely to incremental costs required to mine and mill, 38% and 42% more tonnes than in the same period of 2004, respectively.

The combination of improved sales volume, higher operating costs and a stronger Canadian versus US dollar led to a 13% increase in cash operating cost per ounce (Q42005 – US $355; Q42004 – US $313).

Oil and gas operating costs increased by 50%, from $.4 million in the fourth quarter of 2004 to $.6 million for this year's comparable period, primarily as a result of increased salt water and emulsion charges on the Zama property.

Quarterly Information

The financial results for the last eight quarters reflect the following general trends: improvement in average realized gold prices partially offset by the strengthening Canadian dollar; constant gold sales volumes – a combination of more tonnes processed at a lower grade; constant oil and gas sales – a combination of higher realized prices offset by normal production declines; higher cash cost per ounce – a result of increased operating costs due to increased tonnes mined and milled; and higher depreciation and depletion charges – attributable to a larger asset base, more tonnes mined and milled and a slightly declining reserve base.

As of December 31	2005	2004	2003
Gross Revenues	34,263	32,215	35,175
Net Earnings (Loss)	(3,505)	(598)	1,798
Net Earnings (Loss) per share, Basic and Diluted	(0.05)	(0.01)	0.03
Total Assets	94,878	65,946	51,817
Total Long-Term Financial Liabilities[1]	20,669	6,974	59

[1] Includes a $20.5 million royalty obligation which is funded by a promissory note receivable.

Quarterly Information

	December 31		September 30		June 30		March 31	
Unaudited ($ millions)	2005	2004	2005	2004	2005	2004	2005	2004
Gold sales	7.9	6.3	4.8	5.0	4.8	5.8	5.5	5.4
Oil and gas sales	3.4	2.5	2.5	2.6	2.7	2.3	2.5	2.3
Net earnings (loss)	1.0	(0.3)	(2.9)	0.2	(1.9)	(0.1)	.3	(0.4)
Net earning (loss) per share[1]	0.01	–	(0.04)	–	(0.03)	–	–	(0.01)
Average realized gold price (CDN$)	569	560	542	550	529	529	539	543
Ounces sold	13,900	11,300	8,900	9,200	9,100	10,900	10,300	9,900
Tonnes mined	61,100	44,200	73,000	53,500	45,800	15,300	48,900	31,400
Grade broken	6.35	7.09	8.30	7.91	4.94	4.86	7.58	9.48
Tonnes milled	66,400	46,600	60,500	46,100	55,400	47,500	54,200	46,700
Ounces produced	15,100	10,600	8,900	9,400	9,500	10,800	11,200	10,100
Grade processed (gpt)	7.60	7.45	4.96	6.60	5.69	7.41	6.93	7.11
Cash cost per ounce[2] (US$oz)	355	313	393	250	377	295	319	324
CDN$/US$ Exchange	1.1733	1.2207	1.2014	1.3072	1.2391	1.3595	1.2270	1.3178

[1] Basic and diluted

[2] For an explanation of our use of non-GAAP performance measures refer to "Non-GAAP Performance Measures" on page 17.

BALANCE SHEET

The Company's total assets were $94.9 million at December 31, 2005 compared to $65.9 million at year-end 2004. The increase is mostly attributable to investments at the Seabee mine as well as the promissory note received on the sale of a production royalty (see Note 8 to the consolidated financial statements).

The long-term debt amounting to $.2 million relates to capital lease obligations. The Company has a $4.3 million loan outstanding. As it is a demand loan, the entire amount has been classified as a current asset for accounting purposes. As a result, working capital fell 27% from $9.4 million at December 31, 2004 to $6.9 million in 2005.

Shareholder's equity for the year ended December 31, 2005 increased by $5.9 million. The increase reflects a net loss of $3.5 million, an increase to share capital of $9.1 million that was due primarily to two separate private placements in the year, and a $.3 million increase to contributed surplus that relates to the expensing of stock options.

OUTSTANDING SHARE DATA

There were 72.5 million common shares outstanding. In addition, there were 2.8 million employee stock options and 3.5 million warrants outstanding with exercise prices ranging from $.53 to $3.05 per share and $1.10 to $3.00 per share, respectively.

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2005, the Company evaluated its disclosure controls and procedures as defined under Multilateral Instrument 52-109. This evaluation was performed by the Chief Executive Officer and the Chief Financial Officer with the assistance of other Company employees to the extent necessary or appropriate. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2005, the CICA issued new standards for the reporting and display of comprehensive income, whereby unrealized gains and losses on financial assets that will be held as available for sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, and changes in the fair value of cash flow hedging instruments, will be recorded in the Consolidated Statement of Other Comprehensive Income until recognized in the Consolidated Statement of Earnings. Other comprehensive income will form part of shareholders' equity. These standards are effective for interim and annual information statements for Claude's fiscal years beginning January 1, 2007. The impact of implementing these new standards is not yet determinable as it is dependent on Claude's outstanding investment positions, hedging strategies and market volatility.

In January 2005, the CICA issued revised standards requiring an enterprise to present a separate component of equity for each category of equity that is of a different nature. These standards are effective for interim and annual financial statements for Claude's fiscal years beginning January 1, 2007. Claude does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements.

In January 2005, the CICA issued new standards which specify the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. Fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation are permissible under the new section. In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recorded in net earnings. This change in fair value of the hedged item, to the extent that the hedging relationship is effective, is offset by changes in the fair value of the derivative. In a cash flow hedging relationship, the effective portion of the change in fair value of the hedging derivative will be recognized in other comprehensive income. The ineffective portion will be recognized in net earnings. The amounts recognized in accumulated other comprehensive income will be reclassified to net earnings in the periods in which earnings are affected by the variability in the cash flows of the hedged item. These standards are effective for interim and annual financial statements for Claude's fiscal years beginning January 1, 2007. The impact of implementing these new standards is not yet determinable as it is dependent on Claude's outstanding hedge positions, hedging strategies and market volatility.

In April 2005, the CICA issued revised standards addressing the presentation and disclosure of financial instruments and non-financial derivatives. These standards are effective for interim and annual financial statements for Claude's fiscal years beginning January 1, 2007. The impact of implementing these new standards is not yet determinable as it is dependent on Claude's outstanding hedge positions, hedging strategies and market volatility.

In June 2005, the CICA issued Handbook Section 3831, which provides revised standards on non-monetary transactions requiring that all non-monetary transactions be measured at fair value unless certain criteria are met. These standards are effective for all non-monetary transactions initiated after January 1, 2006. Claude does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements.

NON-GAAP PERFORMANCE MEASURES

The Company reports its operating, depreciation and depletion costs on a per-ounce basis, based on uniform standards developed by the Gold Institute. Management uses this measure to analyze the profitability, compared to average realized gold prices, of the Seabee mine. Investors are cautioned that the above measures may not be comparable to similarly titled measures of other companies, should these companies not follow Gold Institute standards.

Cash flow from operations is cash from operations before the net change in non-cash working capital items. Cash flow from operations per common share is determined by dividing the cash flow from operations by the weighted average number of common shares outstanding during the year. Management uses this measure to analyze the cash generated by its operations. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP. Investors are cautioned that the above measures may not be comparable to similarly titled measures of other companies.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking statements" that are based on Claude Resources' expectations, estimates and projections as of the dates the statements were made. Generally, these forward-looking statements can be identified by the use of terminology such as "outlook", "anticipate", "project", "forecast", "target", "believe", "estimate", "expect", "intent", "should", "could" and similar expressions. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to, gold price and foreign currency exchange rate volatility and to uncertainties and costs related to: exploration and development activities, production rates, cash and total costs of production, or the ability to obtain necessary permitting or financing.

A discussion of these and other factors that may affect Claude Resources' actual results, performance, achievements or financial position is contained in the filings by Claude Resources with the Canadian provincial securities commissions and the United States Securities and Exchange Commission.

This list is not exhaustive of the factors that may affect Claude Resources' forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on forward-looking statements. Claude Resources does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities law.

ADDITIONAL INFORMATION

Additional information related to the Company is available at www.sedar.com and www.clauderesources.com.

Neil Gillott, Corine Bader and Wanda Phillips, Head Office Accounting

MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Claude Resources Inc. are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The consolidated Canadian financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

The management of the Company, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls. Management believes the internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies which govern ethical business conduct.

The Board of Directors carries out its responsibility for the consolidated financial statements in this annual report principally through its audit committee, consisting primarily of outside directors. The audit committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

These consolidated financial statements have been examined by the shareholders' auditors, KPMG LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards and their independent professional opinion on the fairness of the financial statements is attached.

R Johnson

Rick Johnson
Vice President Finance &
Chief Financial Officer
Saskatoon, Canada
March 22, 2006

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Claude Resources Inc. as at December 31, 2005 and 2004 and the consolidated statements of earnings (loss), retained earnings and cash flows for each of the years in the three-year period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

Information relating to the nature and effect of such differences is presented in Note 21 to the consolidated financial statements.

KPMG LLP

Chartered Accountants

Saskatoon, Canada
March 22, 2006

Comments by Auditor for U.S. Readers on Canada-U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph following the opinion paragraph when there is a change in accounting principles that has a material effect on the comparability of the Company's financial statements, such as the change described in Note 21 to the consolidated financial statements. Our report to the shareholders dated March 22, 2006 is expressed in accordance with Canadian reporting standards which do not require a reference to such change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

KPMG LLP

Chartered Accountants
Saskatoon, Canada
March 22, 2006

Consolidated Balance Sheets

DECEMBER 31 (CANADIAN DOLLARS IN THOUSANDS)

	2005	2004
Assets		
Current assets:		
Cash	$ 1,448	$ 1,045
Receivables	4,359	1,667
Inventories (Note 2)	5,953	4,828
Shrinkage stope platform costs (Note 3)	8,941	7,903
Prepaids	397	364
Other assets (Note 4)	599	139
	21,697	15,946
Oil and gas properties (Note 5)	7,681	6,101
Mineral properties (Note 6)	42,471	34,327
Investments (Note 7)	549	668
Promissory notes (Note 8)	20,383	6,843
Deposits for reclamation costs (Note 12)	2,097	2,061
	$ 94,878	$ 65,946
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (Note 9)	$ 2,543	$ 1,388
Payables and accrued liabilities	6,380	4,580
Demand loan (Note 9)	4,261	-
Other liabilities (Note 10)	1,609	536
	14,793	6,504
Obligations under capital lease (Note 11)	156	-
Royalty obligations (Note 8)	20,513	6,974
Deferred revenue (Note 8)	1,316	563
Asset retirement obligations (Note 12)	2,311	2,046
Shareholders' equity:		
Share capital (Note 13)	53,109	43,966
Contributed surplus (Note 13)	622	330
Retained earnings	2,058	5,563
	55,789	49,859
Commitments and contingency (Note 17 and Note 18)	$ 94,878	$ 65,946

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Arnie E. Hillier
Chairman

Jon R. MacNeill
Director

Consolidated Statements of Earnings (Loss)

YEARS ENDED DECEMBER 31 (CANADIAN DOLLARS IN THOUSANDS)

		2005		2004		2003
Revenues:						
Gold	$	23,121	$	22,470	$	25,807
Oil and gas:						
Gross revenue		11,142		9,745		9,368
Crown royalties		(2,616)		(2,209)		(2,346)
Alberta Royalty Tax Credit		500		442		539
Overriding royalties		(5,247)		(4,618)		(4,077)
Net oil and gas revenue		3,779		3,360		3,484
		26,900		25,830		29,291
Expenses:						
Gold		18,296		15,904		18,041
Oil and gas		1,946		1,574		1,260
Depreciation, depletion and accretion:						
Gold		9,704		6,023		5,369
Oil and gas		746		653		507
General and administrative		2,290		2,332		2,152
Interest and other (Note 14)		129		(58)		101
		33,111		26,428		27,430
Earnings (loss) before the undernoted item		(6,211)		(598)		1,861
Gain on sale of investments		1,386		-		-
Earnings (loss) before income taxes		(4,825)		(598)		1,861
Income tax recovery (expense) (Note 15)		1,320		-		(63)
Net earnings (loss)	$	(3,505)	$	(598)	$	1,798
Net earnings (loss) per share (Note 16)						
Basic and diluted	$	(0.05)	$	(0.01)	$	0.03
Weighted average number of common shares outstanding (000's) (Note 16)						
Basic		66,342		59,769		53,851
Diluted		66,342		59,769		54,727

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

YEARS ENDED DECEMBER 31 (CANADIAN DOLLARS IN THOUSANDS)

		2005		2004		2003
Retained earnings, beginning of year	$	5,563	$	6,161	$	4,363
Net earnings (loss)		(3,505)		(598)		1,798
Retained earnings, end of year	$	2,058	$	5,563	$	6,161

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEARS ENDED DECEMBER 31 (CANADIAN DOLLARS IN THOUSANDS)

	2005	2004	2003
Cash provided from (used in):			
Operations:			
Net earnings (loss)	$ (3,505)	$ (598)	$ 1,798
Non-cash items:			
Depreciation, depletion and accretion	10,296	6,533	5,743
Accretion of asset retirement obligations	154	143	133
Stock-based compensation	120	136	65
Gain on sale of investments	(1,386)	-	-
Income tax recovery	(1,320)	-	-
Net change in non-cash working capital:			
Receivables	(1,852)	845	(338)
Inventories	(1,125)	(1,027)	(435)
Shrinkage stope platform costs	(1,038)	(1,225)	(826)
Prepaids	(33)	(105)	69
Payables and accrued liabilities	1,800	15	2,625
Cash from operations	2,111	4,717	8,834
Investing:			
Mineral properties	(17,622)	(13,330)	(14,864)
Oil and gas properties	(2,287)	(1,964)	(1,828)
Promissory notes	(14,000)	(6,982)	-
Investments	1,505	992	(1,041)
Short-term investments	-	-	300
Increase in reclamation deposits	(36)	(111)	(525)
	(32,440)	(21,395)	(17,958)
Financing:			
Issue of common shares, net of issue costs	10,635	5,116	14,181
Sale of production royalties:			
Proceeds	14,000	7,113	-
Receivable	(840)	-	-
Deferred revenue	1,336	906	-
Bank indebtedness	1,155	1,388	-
Demand loan:			
Proceeds	5,000	-	-
Repayments	(739)	-	(110)
Obligations under capital lease:			
Proceeds	269	-	-
Repayments	(84)	(59)	(60)
	30,732	14,464	14,011
Increase (decrease) in cash	403	(2,214)	4,887
Cash, beginning of year	1,045	3,259	(1,628)
Cash, end of year	$ 1,448	$ 1,045	$ 3,259
Supplemental cash flow disclosure:			
Interest paid	396	98	111
Income taxes paid	-	-	63

See accompanying notes to consolidated financial statements.

Operations:

SEABEE GOLD MINE

The Seabee gold mine, owned 100% by Claude Resources, is located 125 kilometres northeast of La Ronge, Saskatchewan. Mining of the ore reserves commenced in 1991.

OIL & GAS

The Company, through its wholly-owned subsidiary, 574095 Alberta Ltd., has an interest in the Nipisi Gilwood No. 1 oil field and the Edson Gas Unit No. 1 gas field and associated gas plant and gathering lines. Both areas are operated by others. In addition to these properties, the Company has interests in producing oil and gas wells at a number of other Alberta locations. The Alberta properties are subject to an overriding royalty.

In the Gainsborough area of southeastern Saskatchewan, the Company owns a 75% working interest in six vertical producing oil wells, one water disposal well and a 33.75% working interest in four producing horizontal wells.

1. Significant Accounting Policies:

The consolidated financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and, except as described in Note 21, confirm in all material respects with accounting principles generally accepted in the United States. Generally accepted accounting principles require that Management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual amounts could differ from those estimates.

A summary of significant accounting policies is as follows:

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the accounts of the Company and its subsidiaries. Interests in joint ventures are accounted for by the proportionate consolidation method.

CASH

Cash and cash equivalents include cash and short-term investments which, on acquisition, have a term to maturity of three months or less.

INVESTMENTS

Investments are carried at cost or at cost less amounts written-off to reflect an impairment in value that is other than a temporary decline.

DEPOSITS FOR RECLAMATION COSTS

Deposits for reclamation costs consist of investment certificates held as security for reclamation requirements and are carried at the lower of cost and market.

INVENTORIES

Gold inventory, which includes gold bullion, gold contained in the milling circuit and in stockpiled ore on surface, is valued at the lower of cost and net realizable value. Costs include labour, equipment costs and operating overhead. Material and supplies inventory is valued at the lower of cost and net realizable value.

SHRINKAGE STOPE PLATFORM COSTS

The Company utilizes the shrinkage stope mining method to mine its ore body at the Seabee mine. Under this method, ore used as a working platform to access and mine further ore is valued at the lower of cost and net realizable value. Costs include labour, equipment costs and operating overhead. This broken ore is reclassified to inventory once transported to surface.

OIL & GAS OPERATIONS

The Company follows the full-cost method of accounting whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, engineering fees, related direct administrative expenses, costs of drilling both productive and non-productive wells including production equipment, the fair value of retirement obligations and the cost of constructing processing facilities. Also capitalized are identifiable carrying charges on undeveloped properties. Proceeds received from disposal of property interests are credited against accumulated costs except when the disposition results in a significant change in the depletion rate, in which case a gain or loss on disposal is recognized. Expenditures for maintenance and repairs are charged to operating expenses as incurred.

The carrying values of the Company's oil and gas properties are compared annually to an estimate of undiscounted future net cash flow from the production of proved reserves, based on future prices. If the carrying value is not fully recoverable, the amount of impairment is measured by comparing the carrying amount of the oil and gas properties to an amount equal to the estimated net present value of future cash flows from proved plus probable reserves. Any excess carrying value above the net present value of the future cash flows would be recorded as a permanent impairment and charged to earnings.

The costs related to petroleum and natural gas properties are depleted on the unit of production method based on the estimated proved reserves as determined by independent consultants, before deduction of royalties and after conversion to units of common measure based on relative energy content.

The Company is engaged in oil and gas exploration and production in Canada and substantially all of these activities are conducted with others. The accounts reflect only the Company's proportionate interest in such activities.

MINERAL PROPERTIES

All costs related to the acquisition, exploration and development of mineral properties and the development of milling assets are capitalized. Development costs at our producing property include only those historical expenditures incurred to extend reserves by converting mineralized material to reserves or for further delineation of existing reserves. Interest on debt associated with the acquisition of mineral properties is capitalized until commencement of commercial production. There have been no interest costs capitalized to date. Expenditures for maintenance and repairs are charged to operating expenses as incurred. Amounts reflected for mineral properties not in commercial production represent costs incurred to date, net of write-downs, and are not intended to reflect present or future values. The recoverability of the costs is dependent upon the discovery of economically recoverable ore reserves, the ability to obtain necessary financing to complete development and the development of future profitable production from the properties or realization of sufficient proceeds from the disposition of the properties.

Upon commencement of commercial production, the related historical accumulated costs are amortized against future income of the project using the unit of production method over estimated recoverable ore reserves. Estimated recoverable ore reserves include proven and probable mineral reserves. Costs which are not considered economically recoverable through mining operations or through sale of reserves, or are related to projects which are allowed to lapse, are expensed. Mining equipment is depreciated over its estimated useful life of three years on a straight-line basis.

The Company holds various positions in mining interests, including exploration rights, mineral claims, mining leases, unpatented mining leases and options to acquire mining claims or leases. All of these positions are classified as mineral properties for financial statement purposes.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the amount is reported as a gain.

ASSET RETIREMENT OBLIGATIONS

The fair value of the liability for the Company's asset retirement obligation is recorded in the period in which it is incurred, discounted to its present value using the Company's credit adjusted risk-free interest rate and the corresponding amount is recognized by increasing the carrying amount of the related long-lived asset. The liability is accreted each period, and the capitalized cost is depreciated over the useful life of the related asset.

REVENUE RECOGNITION

Revenue from gold sales are recognized when the rights and obligations of ownership pass to the buyer. Settlement adjustments arising from final determination of metal weights and assays are reflected in sales when determined. Revenue associated with the sale of oil, natural gas liquids and gas represents the Company's share of the sale value of production. Revenue is recognized when the rights and obligations of ownership pass to the buyer.

FOREIGN CURRENCY TRANSLATION

Revenue and expense transactions denominated in foreign currencies are translated in Canadian dollars at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated in Canadian dollars at the rate of exchange in effect at the balance sheet date. Exchange gains and losses on these transactions are included in earnings.

HEDGING TRANSACTIONS

Derivative financial instruments are used by the Company in the management of its foreign currency and commodity price exposures. The Company may enter into foreign exchange and gold derivative contracts to hedge anticipated sales denominated in US dollars. The Company assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company formally documents relationships between hedging instruments and hedged items, including linking all derivatives to specific assets and liabilities or to specific commitments or anticipated transactions. The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

Gains and losses on foreign currency denominated derivative financial and commodity instruments that are used to hedge anticipated US dollar denominated gold sales are recognized as an adjustment of revenue in the same period as the hedged item.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated prior to maturity, are deferred under other current, or non-current, assets or liabilities on the balance sheet and recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold or extinguished prior to the termination of the related derivative instrument, the hedge is no longer effective, or it is no longer probable that the anticipated transaction will occur substantially as and when identified at the inception of the hedging relationship, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

INCOME TAXES

Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period which includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not. The valuation of future income taxes is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated recoverable amount.

FLOW-THROUGH SHARES

The Company finances a portion of its exploration activities through the issue of flow-through shares. The Company records the tax cost of expenditures renounced to subscribers on the date the deductions are renounced to the subscribers. Share capital is reduced and future income tax liabilities are increased by the estimated income tax benefits renounced by the Company to the subscribers, except to the extent that the Company has unrecorded tax benefits on loss carryforwards and tax pools in excess of book values available for deduction against which a valuation allowance has been provided. In these circumstances, the future tax liability reduces the valuation allowance and this reduction is recognized in earnings.

PER SHARE AMOUNTS

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds obtained on exercise of options and warrants would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

STOCK-BASED COMPENSATION PLANS

The Company has two stock-based compensation plans which are described in Note 13. The Company accounts for all stock option awards using the fair-value method of accounting. Under this method, the Company recognizes a compensation expense for all stock options awarded since January 1, 2002 based on the fair value of the options at the date of the grant, which is determined using an option pricing model. Prior to January 1, 2002, the date of implementation of the fair-value method of accounting for stock-based compensation, the Company recognized the fair value of stock-based compensation issued to non-employees. The fair value of the options is expensed over the vesting period with a corresponding amount recorded as contributed surplus. Under the Employee Share Purchase Plan, compensation expense is recognized for the value of the Company's contribution to the plan. Consideration received on the exercise of stock options and the employee share purchase plan is recorded as share capital and the related contributed surplus is transferred to share capital.

2. Inventories:

		2005		2004
Bullion in-circuit	$	1,293	$	347
Stockpiled ore		364		364
Materials and supplies		4,296		4,117
	$	5,953	$	4,828

3. Shrinkage Stope Platform Costs:

		2005		2004
Stope Platform Costs	$	8,941	$	7,903

Shrinkage stope platform costs represent ore that is being used as a working stage, within the stope, to gain access to further ore. This ore is expected to be processed in the following 12 months. The processing of this broken ore occurs in accordance with a mine plan based on the known mineral reserves and current mill capacity. The timing of processing of ore has not been significantly affected by historic prices of gold.

4. Other Assets:

		2005		2004
Current portion of promissory notes	$	599	$	139

5. Oil & Gas Properties:

Details of the Company's oil and gas property, plant and equipment are as follows:

	Cost	Accumulated depreciation, depletion and write-down	2005 Net	Cost	Accumulated depreciation, depletion and write-down	2004 Net
Property acquisition and drilling costs	$ 13,694	$ 10,282	$ 3,412	$ 12,434	$ 9,994	$ 2,440
Gas plant and production equipment	9,789	5,520	4,269	8,762	5,101	3,661
	$ 23,483	$ 15,802	$ 7,681	$ 21,196	$ 15,095	$ 6,101

The Alberta oil and gas properties are subject to an overriding royalty. This obligation will cease when approximately $147,500,000 has been paid or when the properties cease to produce.

Amounts of the cumulative overriding royalty paid or accrued are as follows:

December 31, 2005	$123,464,000
December 31, 2004	$118,217,000

6. Mineral Properties:

Details of the Company's mineral related property, plant and equipment are as follows:

	Cost	Accumulated depreciation, depletion and write-down	2005 Net	Cost	Accumulated depreciation, depletion and write-down	2004 Net
Property acquisition and mine development costs	$ 69,000	$ 50,878	$ 18,122	$ 61,309	$ 43,974	$ 17,335
Buildings, plant and equipment	68,752	56,805	11,947	63,349	54,158	9,191
Exploration properties	17,320	4,918	12,402	12,610	4,809	7,801
	$ 155,072	$ 112,601	$ 42,471	$ 137,268	$ 102,941	$ 34,327

Mineral properties includes $3.9 million of costs related to the mill expansion at the Seabee mine in progress at December 31, 2005. Depreciation of this amount will commence in 2006 upon completion of the expansion.

On December 15, 2000, Claude entered into an option agreement with Placer Dome (CLA) Limited ("Placer") in respect of the Madsen gold exploration property. This option agreement entitles Placer to earn a 55% working interest in the Madsen property by expending $8.2 million over three years and delivering to Claude a bankable feasibility study by the end of 2006. Upon Placer fulfilling its obligations in respect of the option agreement, Placer and Claude will form a joint venture with respective interests of 55% and 45%. At Claude's request, Placer may earn an additional 5% of the project by funding Claude's share of infrastructure costs associated with any mine development on the property. Under the agreement, Claude's interests cannot be reduced below 40%.

Expenditures on exploration properties for the year ended December 31, 2005 were comprised largely of drilling and bulk sample costs on the Porky and Santoy properties. For the year ended December 31, 2004 exploration expenditures were primarily incurred on the drilling of the Porky and Santoy properties.

7. Investments:

		2005		2004
Investments	$	549	$	668

At December 31, 2005, the quoted market value of the investments was $6.7 million (2004 - $3.9 million).

8. Promissory Notes and Royalty Obligations:

In December 2005 the Company sold a production royalty for proceeds of $14.0 million (2004 - sale of production royalty for $7.1 million). As part of this transaction, $14.0 million (2004 - $7.0 million) of the sales price was loaned to a financial institution and has been pledged to secure the Company's obligations under the royalty agreement. Pursuant to the agreement, the Company received $1.7 million (2004 - $.9 million) in fees and interest including $.9 million (2004 - $.6 million) for the indemnification provided to third parties for any breach of the royalty agreement by the Company and $.8 million (2004 - $.3 million) for interest prepayments. The funds received pursuant to the indemnification have been presented as deferred revenue and will be recognized over the expected remaining life of the royalty agreement. The funds received for the interest prepayment in 2005 will be recognized in 2006.

During the terms of the royalty agreements, up to 10 years, the Company is entitled to have amounts held under the promissory notes used to make payments under the royalty obligations. In certain circumstances, the Company will have the right to repurchase the royalty interest at no greater than the fair market value thereof at the time of repurchase. The repurchase price will be paid from the balance owing to the Company under the promissory note.

Annual royalties, dependent upon sales volume, will be payable at rates ranging from CDN $3.00 to $46.23 per ounce (2004 – CDN $3.99 to $24.53).

In addition to the royalty, the Company has granted a net profit interest ("NPI") for the years 2012 - 2015 (2004 – for the years 2011 – 2014). The NPI ranges from 1% to 3% (2004 – 2.5% to 4%) payable only when gold prices exceed CDN $875 (2004 – CDN $800) per ounce. No NPI is payable until the Company recovers its capital invested including reserve and interest charges.

9. Bank Indebtedness and Demand Loan:

The Company has a $3,500,000 operating line of credit which bears interest at prime plus .75%. These funds are available for general corporate purposes. At December 31, 2005, the Company had drawn $2.5 million (2004 - $1.4 million) of the bank line.

The demand loan bears interest at 5.99%, is repayable in monthly principal and interest payments of $96,514 and matures in February 2010. The loan is secured by a general security agreement covering all assets of the Company, excluding oil and gas assets in Alberta. The loan agreement has a covenant requirement with respect to cash flow coverage.

10. Other Liabilities:

		2005		2004
Deferred revenue (Note 8)	$	927	$	344
Royalty obligations		599		138
Obligations under capital lease (Note 11)		83		54
	$	1,609	$	536

11. Obligations under Capital Lease:

Obligations under capital leases bear interest at 5.4% and 5.9%, are due in 2006 and 2008 and are secured by leased equipment. The estimated principal repayments on the leases are as follows: 2006 - $83,000, 2007 - $71,000, 2008 - $75,000.

12. Asset Retirement Obligations:

The Company's asset retirement obligations consist of reclamation and closure costs for both mineral and oil & gas properties.The present value of obligations relating to mineral properties is currently estimated at $1,756,000 (2004 - $1,530,000) and was determined using a 7.5% discount rate and expected payment of future obligations of $4.2 million over the next 10 to 14 years.The present value of obligations relating to oil and gas properties is currently estimated at $555,000 (2004 - $516,000) and was determined using a 7.5% discount rate and expected payment of future obligations of $1.4 million over the next 8 to 20 years.An accretion expense component of $154,000 (2004 - $143,000) has been charged in 2005 to reflect an increase in the carrying amount of the asset retirement obligation. Changes to the asset retirement obligation during the year are as follows:

		2005		2004
Asset retirement obligation, beginning	$	2,046	$	1,903
Accretion expense		154		143
Revisions in estimated cash flows		111		-
Asset retirement obligation, ending	$	2,311	$	2,046

In relation to these obligations, and as required by regulatory authorities, the Company has provided letters of credit as security for reclamation related to the Madsen, Seabee and Tartan properties in the amounts of $658,000 (2004 - $658,000), $1,331,000 (2004 - $1,315,000) and $40,000 (2004 - $40,000) respectively. As security for these letters of credit, the Company has provided investment certificates in the amount of $2,029,000 (2004 - $2,013,000). The Company has also deposited $68,000 towards its reclamation obligations on certain of its Saskatchewan oil properties.

13. Shareholder's Equity:

AUTHORIZED

The authorized share capital of the Company consists of unlimited common shares and two classes of unlimited preferred shares issuable in series.

The common shares of the Company are entitled to dividends pro rated and, when declared by the Board of Directors, to one vote per share at meetings of the shareholders and, upon dissolution or any other distribution of assets, to receive pro rated such assets of the Company as are distributable to the holders of the common shares.

The first preferred shares are issuable in series and rank ahead of the second preferred shares and the common shares in respect of dividend payment, dissolution or any other distribution of assets. The other rights, privileges, restrictions and conditions attached to each series of the first preferred shares are fixed by the Board of Directors at the time of creation of such series.

The second preferred shares are issuable in series and rank ahead of the common shares in respect of dividend payment, dissolution or any other distribution of assets. The other rights, privileges, restrictions and conditions attached to each series of the second preferred shares are fixed by the Board of Directors at the time of creation of such series.

ISSUED AND OUTSTANDING COMMON SHARES

	2005		2004		2003	
	Number	**Amount**	Number	Amount	Number	Amount
Beginning of year	61,691,707	$ 43,966	58,341,627	$ 38,850	49,459,477	$ 24,525
ESPP (a)	104,607	136	61,597	120	159,130	230
Exercise of stock options (b)	95,000	107	-	-	35,000	23
Exercise of warrants (c)	-	-	-	-	2,550,770	3,176
Fair value of broker warrants	-	74	-	-	-	-
Private placement (d)	-	-	-	-	2,500,000	3,750
Issue costs	-	-	-	-	-	(223)
Exercise of warrants (d)	-	-	1,138,450	2,106	137,250	254
Flow-through shares (e)	-	-	-	-	1,000,000	2,500
Issue costs	-	-	-	-	-	(49)
Private placement (f)	-	-	-	-	2,500,000	5,000
Issue costs	-	-	-	(119)	-	(336)
Flow-through shares (g)	-	-	1,000,000	1,500	-	-
Issue costs	-	-	-	(107)	-	-
Flow-through shares (h)	-	-	1,150,033	1,725	-	-
Issue costs	-	(26)	-	(109)	-	-
Flow-through shares (i)	-	(1,320)	-	-	-	-
Private placement (j)	8,570,373	9,025	-	-	-	-
Issue costs	-	(878)	-	-	-	-
Flow-through shares (k)	1,999,999	2,100	-	-	-	-
Issue costs	-	(75)	-	-	-	-
End of year	72,461,686	$ 53,109	61,691,707	$ 43,966	58,341,627	$ 38,850

(a) EMPLOYEE SHARE PURCHASE PLAN ("ESPP")

The ESPP was established to encourage employees to purchase Company common shares. Under the plan, eligible employees may contribute up to 5% of their basic annual salary and the Company shall contribute common shares in an amount equal to 50% of the employee's contribution. Shares of the Company are issued to employees based on a weighted average market price over a specific period. During 2005, the Company issued 104,607 common shares (2004 – 61,597; 2003 – 159,130) for $136,000 (2004 - $120,000; 2003 - $230,000) pursuant to this plan. The Company has reserved 1,750,000 common shares for issuance pursuant to this plan, of which 1,278,544 shares have been issued.

(b) SHARE OPTION PLAN

The Company has established a share option plan under which options may be granted to directors, officers and key employees to purchase up to an aggregate of 5,000,000 common shares. Options granted have an exercise price of not less than the market price of the common shares on the stock exchange on which the shares are traded. The majority of the options granted vest immediately and expire 10 years from the date of the grant of the option.

For options outstanding at December 31, 2005 and 2004, weighted average exercise prices are as follows:

	2005 Options		**Average Price**	2004 Options		Average Price
Beginning of year	2,660,000	$	1.15	2,425,000	$	1.13
Options granted	345,000		.98	235,000		1.40
Options exercised	(95,000)		.57	-		-
Options lapsed	(155,000)		1.74	-		-
End of year	2,755,000	$	1.11	2,660,000	$	1.15

For options outstanding at December 31, 2005, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life are as follows:

Options Price Per Share	Number		Weighted Average Exercise Price	Weighted Average Remaining Life
$0.53-$0.96	1,226,000	$	0.68	6.87 years
$1.05-$1.38	1,194,000		1.30	4.18 years
$1.71-$3.05	335,000		2.05	2.94 years
	2,755,000	$	1.11	5.23 years

The fair value of stock options issued in the year was estimated using the Black-Scholes option pricing model with assumptions of a 6-year weighted average expected option life, no expected forfeiture rate, 60.82% to 63.09% volatility (2004 – 63% to 67%; 2003 – 67.5%) and interest rates ranging from 2.85% to 5.00% (2004 – 3.92% to 4.07%; 2003 – 3.6% to 4.07%). In 2005, the fair value and the compensation cost recorded in respect of stock options issued was $120,000 (2004 - $136,000; 2003 - $65,000).

(c) PRIVATE PLACEMENT

During 2002, the Company completed a private placement for the issue of 5,000,000 units at a price of $1.00 per unit for aggregate gross proceeds of $5,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitled the holder to acquire one common share at an exercise price of $1.25 for a period of twelve months from the closing date. In partial consideration of services provided to Claude in connection with the Offering, the Underwriters were issued an aggregate of 63,463 common share purchase warrants, each of which entitled the holder to acquire one common share at an exercise price of $1.00 for a period of twelve months from the closing date. All warrants have been exercised.

(d) PRIVATE PLACEMENT

During 2003, the Company completed a private placement offering of 2,500,000 units, each unit consisting of one common share and one half of one common share purchase warrant, at a price of $1.50 per unit for gross proceeds of $3,750,000. Each whole purchase warrant entitled the holder, upon exercise at any time up to and including January 31, 2004 and upon payment of $1.85, to subscribe for one common share. In partial consideration of services provided to Claude in connection with the private placement, the Underwriters were issued 250,000 common share purchase warrants, each of which entitled the holder, upon exercise at any time up to and including January 31, 2004, and upon payment of $1.85, to subscribe for one common share. At December 31, 2005 there were no warrants outstanding.

(e) FLOW-THROUGH SHARES

During 2003, the Company entered into a flow-through share agreement for the issue of 1,000,000 common shares at a price of $2.50 per share for proceeds of $2,500,000. The Company was required to expend $2,500,000 in qualifying Canadian Exploration Expenses as defined in the Income Tax Act (Canada) prior to December 31, 2004.

(f) PRIVATE PLACEMENT

During 2003, the Company completed a private placement of 2,500,000 units, each unit consisting of one common share and one half of one common share purchase warrant, at a price of $2.00 for gross proceeds of $5,000,000. Each whole purchase warrant entitled the holder, upon exercise at any time up to and including June 23, 2005 and upon payment of $2.50, to subscribe for one common share. In partial consideration of services provided to Claude in connection with the private placement, the Underwriters were issued 150,000 common share purchase warrants, each of which entitled the holder, upon exercise at any time up to and including December 23, 2004 and upon payment of $2.10, to subscribe for one common share. At December 31, 2005, there were no warrants outstanding.

(g) FLOW-THROUGH SHARES

During 2004, the Company entered into a flow-through share agreement for the issue of 1,000,000 common shares at a price of $1.50 per share for proceeds of $1,500,000. The Company was required to expend $1,500,000 in qualifying Canadian Exploration Expenses as defined in the Income Tax Act (Canada) prior to December 31, 2005.

(h) FLOW-THROUGH SHARES

During 2004, the Company entered into a flow-through share agreement for the issue of 1,150,033 units, each unit consisting of one flow-through common share and one common purchase warrant, at a price of $1.50 per unit for gross proceeds of $1,725,000. Each warrant entitles the holder, upon exercise, to purchase one common share for a two-year period following the date of issue at a price of $2.00 up to and including December 31, 2005 and $3.00 up to and including December 31, 2006. The Company was required to expend $1,725,000 in qualifying Canadian Exploration Expenses as defined in the Income Tax Act (Canada) prior to December 31, 2005. At December 31, 2005 there were 1,150,033 warrants outstanding.

(i) FLOW-THROUGH SHARES

The Company finances a portion of its exploration activities through the issue of flow-through shares. The Company records the tax cost of expenditures renounced to subscribers on the date the Company files the renouncement documents with Canada Customs and Revenue Agency. Share capital is reduced and future income tax liabilities are increased by the estimated tax benefits renounced by the Company to the subscribers.

(j) FLOW-THROUGH SHARES

During 2005, the Company completed a private placement offering consisting of a total of 4,023,100 units, issued at a price of $1.00 per unit, and a total of 4,547,273 common shares, issued on a flow-through basis at a price of $1.10 per common share, for gross proceeds of $9,025,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole purchase warrant entitles the holder, upon exercise at any time up to and including June 23, 2007 and upon payment of $1.20, to subscribe for one common share. In partial consideration of services provided to the Company in connection with the offering, the Underwriters were issued broker options entitling them to purchase up to an aggregate of 201,155 broker units at any time up to and including June 23, 2007 at a price of $1.10 per broker unit. Each broker unit consists of one common share and one-half of a broker warrant. Each whole broker warrant will entitle the holder to subscribe for one common share for a period up to and including June 23, 2007 at an exercise price of $1.30. At December 31, 2005, there were 2,011,550 warrants and 201,155 broker units outstanding. With respect to the flow-through share portion of the private placement, the Company must expend $5,002,000 in qualifying Canadian Exploration Expenses as defined in the Income Tax Act (Canada) prior to December 31, 2006.

(k) FLOW-THROUGH SHARES

During 2005, the Company entered into a flow-through share agreement for the issue of 1,999,999 common shares at a price of $1.05 per share for proceeds of $2,100,000. The Company is required to expend $2,100,000 in qualifying Canadian Exploration Expenses as defined in the Income Tax Act (Canada) prior to December 31, 2006.

(l) CONTRIBUTED SURPLUS

Contributed surplus is increased in connection with the recognition of compensation cost relating to stock options and decreased where those stock options are exercised or lapsed.

			2005		2004
Contributed surplus, beginning of year		$	330	$	225
Add:	stock options expense		120		136
	fair value of broker warrants		246		-
Less:	stock options exercised		-		(31)
	broker warrants exercised		(74)		-
Contributed surplus, ending		$	622	$	330

14. Interest and Other:

		2005		2004		2003
Interest expense	$	396	$	98	$	111
Less: interest and other income		(267)		(156)		(10)
Interest and other	$	129	$	(58)	$	101

15. Income Taxes:

The significant components of future income tax assets at December 31 are as follows:

		2005		2004
Future income tax assets:				
Mineral properties	$	26,732	$	29,250
Non-capital loss carryforwards		1,712		3,941
Asset retirement obligations		878		777
Share issue costs		573		525
Royalty obligation		8,022		2,702
Deferred revenue		852		344
Future income tax assets before valuation allowance		38,769		37,539
Valuation allowance		(38,769)		(37,539)
Future income tax assets	$	-	$	-

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

		2005		2004		2003
Earnings (loss) before income taxes	$	(4,825)	$	(598)	$	1,861
Combined federal and provincial tax rate		40%		42%		44%
Expected tax expense (recovery)		(1,930)		(251)		819
Increase (decrease) in taxes resulting from:						
Crown royalties		715		696		929
Alberta Royalty Tax Credit		(200)		(155)		(224)
Resource allowance		(695)		(751)		(1,121)
Other permanent differences		(505)		770		419
Effect of change in effective tax rates		65		(37)		7,049
Valuation allowance		1,230		(272)		(7,871)
		(1,320)		-		-
Large corporations tax		-		-		63
Provision (Recovery) for income taxes	$	(1,320)	$	-	$	63

At December 31, 2005, the Company and its subsidiaries had operating losses for income tax purposes approximating $4,500,000, which are available to reduce taxes in future years and expire over the period to the year 2010.

16. Per Share Amounts:

The calculation of loss per share amounts is based on the following: per share amounts have been calculated based on the weighted average number of shares outstanding during the year ended December 31, 2005 of 66,342,198 shares (2004 – 59,768,983 shares; 2003 – 53,850,694 shares).

		2005		2004		2003
Basic earnings (loss) per share:						
Net earnings (loss) available to common shareholders	$	(3,505)	$	(598)	$	1,798
Weighted average number of common shares outstanding		66,342		59,769		53,851
	$	(0.05)	$	(0.01)	$	0.03
Diluted earnings (loss) per share:						
Net earnings (loss) available to common shareholders	$	(3,505)	$	(598)	$	1,798
Weighted average number of common shares outstanding		66,342		59,769		54,727
	$	(0.05)	$	(0.01)	$	0.03

Excluded from the computation of diluted loss per share were:

i) Options outstanding on 1,519,000 shares with an average exercise price of $1.47 (2004 – 385,000 @ $2.13; 2003 – 355,000 @ $2.13) as the options exercise prices were greater than the average market price of the Company's common shares.

ii) In 2005, options outstanding on 1,236,000 shares with an average exercise price of $0.68 (2004 – 2,275,000 @ $0.98) as they were anti-dilutive.

iii) Warrants outstanding for 3,463,316 common shares with an average exercise price of $1.79 (2004 – 2,400,033 common shares with an average exercise price of $2.50; 2003 – 2,762,750 common shares with an exercise price of $2.16) as the exercise price was greater than the average market price of the Company's common shares.

17. Financial Instruments:

The Company's financial results are affected by the normal risks and capital expenditure requirements associated with exploration, development and production of mineral and oil & gas properties. Financial results are also affected by market prices for gold and oil & gas, changes in foreign currency exchange rates, interest rates and other operating risks.

To manage risks associated with prices for gold, oil and gas and changes in foreign currency, the Company may use commodity and foreign currency derivative instruments. Financial assets which are subject to credit risks include cash and receivables and commodity and currency instruments. The Company minimizes risks on its financial assets by holding instruments with credit worthy entities. Sales of commodities are to entities considered to be credit worthy.

Except as discussed below, the fair market value of the Company's financial assets and liabilities approximate net book value.

At December 31, 2005, the Company had no outstanding forward gold contracts. At December 31, 2004, the Company had outstanding forward gold contracts related to 2005 production of 4,000 ounces at an average price of US $417 per ounce with a market value loss inherent in these contracts of US $74,000. At December 31, 2003, the Company had outstanding forward gold contracts related to 2004 production of 6,000 ounces at an average price of US $388 per ounce with a market value loss inherent in these contracts of US $175,000.

At December 31, 2005, the Company had no outstanding foreign exchange contracts. At December 31, 2004, the Company had outstanding foreign exchange contracts to sell US $5.5 million at an average exchange rate of 1.2611 CDN$/US$ with a market value gain inherent in these contracts of US $263,000. At December 31, 2003, the Company had outstanding foreign exchange contracts to sell US $9.8 million at an average exchange rate of 1.3446 CDN$/US$ with a market value gain inherent in these contracts of US $342,000.

18. Commitment And Contingency:

(a) COMMITMENT

To satisfy its commitments pursuant to the issuance of flow-through shares, the Company is required to expend $7.1 million of qualifying Canadian Exploration Expenses as defined in the Income Tax Act (Canada) prior to December 31, 2006. At December 31, 2005, $5.3 million remains to be incurred.

(b) CONTINGENCY

Pursuant to a Notice of Contravention issued by Saskatchewan Labour, Occupational Health and Safety Division, dated March 17, 2003, the Company was ordered to reinstate three workers and reimburse them for lost pay and benefits. The contravention alleges that the Company dismissed these employees contrary to the Occupational Health and Safety Act. The contravention was appealed to the Executive Director, an adjudicator and subsequently to the Court of Queen's Bench. In September, 2005, the Court of Queen's Bench agreed with the Company's position, allowing the appeal and setting aside the contravention. This Court's decision is currently under appeal by the plaintiffs. The amount of potential loss may involve payment of approximately 18 months in back pay to each of the employees and will be recognized in earnings at the time of settlement, if any. Management is of the opinion these claims are without merit.

19. Segmented Information:

The Company has two reportable industry segments: gold mining and oil, natural gas liquids and natural gas production, all located in Canada. The Company's producing gold mine, the Seabee mine, is located in northern Saskatchewan. The Company's oil and gas assets are located in Alberta and Saskatchewan.

2005 (millions)		**Gold**		**Oil & Gas**		**Total**
Revenue	$	23.1	$	11.1	$	34.20
Royalties		-		(7.8)		(7.8)
Alberta Royalty Tax Credit		-		.5		.5
Net Revenue		23.1		3.80		26.90
Expenses						
Operating		18.3		2.0		20.30
Depreciation, depletion and reclamation		9.7		.7		10.40
Non-segmented expenses		-		-		2.4
Earnings (loss) before income taxes and gain on sale of investments		(4.9)		1.1		(6.2)
Gain on sale of investments		-		-		1.4
Income tax recovery		-		-		1.3
Net earnings (loss)		(4.9)		1.1		(3.5)
Assets		85.8		9.1		94.9
Capital expenditures for the year	$	17.6	$	2.3	$	19.9

2004 (millions)		**Gold**		**Oil & Gas**		**Total**
Revenue	$	22.5	$	9.7	$	32.20
Royalties		-		(6.8)		(6.8)
Alberta Royalty Tax Credit		-		.4		.4
Net Revenue		22.5		3.30		25.80
Expenses						
Operating		15.9		1.6		17.50
Depreciation, depletion and reclamation		6.0		.7		6.70
Non-segmented expenses		-		-		2.2
Net earnings (loss)		.6		1.0		(.6)
Assets		58.3		7.6		65.9
Capital expenditures for the year	$	13.3	$	2.0	$	15.3

2003 (millions)		**Gold**		**Oil & Gas**		**Total**
Revenue	$	25.8	$	9.4	$	35.20
Royalties		-		(6.4)		(6.4)
Alberta Royalty Tax Credit		-		.5		.5
Net Revenue		25.8		3.50		29.30
Expenses						
Operating		18.0		1.3		19.30
Depreciation, depletion and reclamation		5.4		.5		5.90
Non-segmented expenses		-		-		2.2
Earnings before income taxes		2.4		1.7		1.9
Income tax recovery (expense)		-		-		(.1)
Net earnings		2.4		1.7		1.8
Assets		45.7		6.1		51.8
Capital expenditures for the year	$	14.9	$	1.8	$	16.7

20. Comparative Figures:

Certain prior years' balances have been reclassified to conform to the current financial statement presentation.

21. Differences From United States Accounting Principles:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The Company monitors differences between generally accepted accounting principles ("GAAP") in Canada and the United States ("U.S."), none of which have a material effect on the financial statements except as summarized below:

a) Balance Sheets

		2005		2004
Mineral Properties – under Canadian GAAP	$	42,471	$	34,327
Cumulative exploration expenditures expensed under U.S. GAAP (i)		(12,352)		(7,797)
Cumulative depreciation and depletion adjustment (ii)		1,502		1,364
Cumulative write-down adjustment (ii)		(1,825)		(1,825)
Mineral Properties – under U.S. GAAP		29,796		26,069
Investments – under Canadian GAAP		549		668
Unrealized gain on available-for-sale securities (iii)		6,138		3,214
Investments – under U.S. GAAP		6,687		3,882
Payables and accrued liabilities – under Canadian GAAP		6,380		4,580
Cumulative unrealized gain on derivative instruments (vi)		-		(227)
Cumulative liability for flow-through shares (vii)		366		628
Payables and accrued liabilities – under U.S. GAAP	$	6,746	$	4,981
Shareholders' equity				
Share capital – under Canadian GAAP	$	53,109	$	43,966
Reduction of stated capital (v)		55,000		55,000
Adjustment for flow-through shares (vii)		1,320		-
Adjustment for flow-through share premiums (vii)		(1,664)		(1,298)
Share capital – under U.S. GAAP		107,765		97,668
Contributed Surplus				
Contributed Surplus – Under Canadian GAAP		622		330
Cumulative stock compensation costs (iv)		(25)		(25)
Contributed Surplus – under U.S. GAAP		597		305
Retained earnings – under Canadian GAAP		2,058		5,563
Reduction of stated capital (v)		(55,000)		(55,000)
Cumulative exploration expenses (i)		(12,352)		(7,797)
Cumulative depreciation and depletion adjustment (ii)		1,502		1,364
Cumulative write-down adjustment (ii)		(1,825)		(1,825)
Cumulative stock compensation costs (iv)		25		25
Cumulative impact of flow-through shares (vii)		(1,320)		-
Cumulative renunciation of tax deductions on flow-through shares (vii)		1,298		670
Deficit – under U.S. GAAP		(65,614)		(57,000)
Accumulated other comprehensive income				
Unrealized gain on available-for-sale securities (iii)		6,138		3,214
Derivative instruments (vi)		-		227
Shareholders' equity – under U.S. GAAP	$	48,886	$	44,414

b) Statements of Earnings (Loss)

		2005		2004 (restated – Note iv(b))		2003
Net earnings (loss) - under Canadian GAAP	$	(3,505)	$	(598)	$	1,798
Exploration expenditures (i)		(4,555)		(3,690)		(2,603)
Depreciation and depletion adjustment (ii)		138		125		284
Stock compensation expense (iv)		-		-		95
Derivative instruments (vi)		-		-		440
Tax liability of flow-through shares (vii)		(1,320)		-		-
Renunciation of tax deductions on flow-through shares (vii)		628		253		417
Net earnings (loss) before cumulative effect of change in accounting principle		(8,614)		(3,910)		431
Cumulative effect of change in accounting principle (viii)		-		-		995
Net earnings (loss) – under U.S. GAAP		(8,614)		(3,910)		1,426
Available-for-sale securities (iii)		2,924		1,453		1,352
Derivative instruments (vi)		(227)		12		215
Comprehensive earnings (loss) under U.S. GAAP		(5,917)		(2,445)		2,993
Net earnings (loss) per share under U.S. GAAP Basic and diluted	$	(0.13)	$	(0.07)	$	0.03

i) Mineral Property Exploration Expenditures

Mineral property exploration expenditures are accounted for in accordance with Canadian GAAP as disclosed in Note 1. For U.S.

GAAP purposes, the Company expenses, as incurred, exploration expenditures relating to unproven mineral properties. When proven and probable reserves are determined for a property and a final feasibility study determines the economic recoverability of these reserves, subsequent development costs of the property are capitalized.

ii) Write-down of Mineral Properties

Under both Canadian and U.S. GAAP, property, plant and equipment must be assessed for potential impairment. If the cash flows are less than the carrying value of the asset, under Canadian GAAP and U.S. GAAP, the impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value is calculated as the present value of estimated future net cash flows. Under both Canadian and U.S. GAAP, impairment tests are calculated with cash flows determined using only proven and probable reserves. Previously, under Canadian GAAP, the impairment loss was calculated as the difference between the carrying value of the asset and its recoverable amount calculated on an undiscounted future cash flow basis. The resulting difference in the previous period write-down between Canadian and U.S. GAAP also results in a difference in the amount of depreciation and depletion charged to earnings.

iii) Available-for-Sale Securities

Under Canadian GAAP, investments are accounted for using the cost method. Under U.S. GAAP, investments classified as available-for-sale securities are carried at market values with unrealized gains or losses reflected as a separate component of shareholders' equity and included in comprehensive income.

iv) Stock-Based Compensation

(a) Prior to January 1, 2002, Canadian GAAP did not require that transactions in which equity instruments were issued for consideration of services performed to be accounted for based on the fair value of the equity instruments issued. U.S. GAAP did require the measurement of stock options granted and $374,000 of stock-based compensation was expensed prior to 2002.

(b) Statement of Financial Accounting Standards No. 123, Accounting for Stock-based Compensation establishes financial accounting and reporting standards for stock-based employee compensation plans. This statement defines a fair-value based method of accounting for employee stock options, but also allows an entity to measure compensation costs related to stock-based compensation granted to employees using the intrinsic value method with pro-forma disclosure of the impact of using the fair-value method. The latter application was allowed by Canadian GAAP prior to January 1, 2004, after which the Company adopted the fair-value method of accounting for employee compensation plans for Canadian GAAP. Pursuant to the transitional rules, a company that adopted the section effective January 1, 2004 may retroactively restate prior periods to include expenses for awards that were included in the pro forma note disclosure for prior periods. For Canadian GAAP, the cumulative effect of the change in policy on the balance sheet at January 1, 2004 was to increase retained earnings by $399,000.

For U.S. GAAP purposes the Company applied the modified prospective method of adopting FAS 123 as permitted by FAS 148 Accounting for Stock Based Compensation – Transition and Disclosure and Amendment FAS 123, as of January 1, 2004. Since the Company's options vested in the year of option grant, there was no impact on 2004 earnings (loss) for options granted prior to 2004 and therefore the stock compensation expense for 2003 and 2002 recorded under Canadian GAAP is reversed for U.S. GAAP purposes. In 2004 this adjustment was reported as a cumulative effect change and the loss reported for 2004 has been restated to reverse the $399,000 cumulative effect change previously charged to earnings.

v) Reduction of Stated Capital

Under Canadian GAAP and by special resolutions of the shareholders, the Company reduced its stated capital account by $40,000,000 in 2001 and $15,000,000 in 1994. This reduction in stated capital is not permitted under U.S. GAAP and accordingly, has resulted in a cumulative increase in the share capital account of $55,000,000 with a corresponding increase in the Company's deficit balance.

vi) Accounting for Derivative Instruments and Hedging Activities

In accordance with Financial Accounting Standards Board ("FASB") Statement 133, Accounting for Derivative Instruments and Hedging Activities, the Company is required to recognize all derivatives on the balance sheet at fair value. Prior to January 1, 2003, the derivatives had not been documented as hedges under U.S. GAAP and accordingly, gains and losses were recorded in earnings. U.S. GAAP requires that gains and losses on cash flow hedges be recorded as part of other comprehensive income. There were no amounts included in other comprehensive income for the year ended December 31, 2005 relating to hedging of foreign currency risk and hedging of gold price risk.

For amounts included in other comprehensive income for the year ended December 31, 2004, a gain of $316,000 relates to hedging of foreign currency risk and a loss of $89,000 relates to the hedging of gold price risk. Of these amounts, a gain of $227,000 was recorded in earnings during 2005.

vii) Flow-through Share Premiums

Under U.S. GAAP, the difference between the issue price of flow-through shares and the fair value of the shares at the date of issuance is recorded as a liability. To the extent that the Company has available tax pools for which a full valuation allowance has been provided, the premium is recognized in earnings as a reduction in the valuation allowance at the time of renunciation of the tax pools. Under Canadian GAAP, share capital is reduced and future income tax liabilities are increased by the estimated income tax benefits renounced by the Company to the subscribers, except to the extent that the Company has unrecorded loss carryforwards and tax pools in excess of book value available for deduction against which a valuation allowance has been provided. In these circumstances, the future tax liability reduces the valuation allowance and this reduction in the amount of $1,320,000 has been recognized in earnings for Canadian GAAP purposes.

viii) Cumulative Effect of a Change in Accounting Policy

In June of 2001, the FASB issued Statement 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard, which is effective for fiscal years after June 15, 2002, applies to legal obligations associated with the retirement of long-lived assets that

result from the acquisition, construction, development and use of the asset. Statement 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset. The liability is accreted at the end of each period through charges to operating expenses.

The Canadian Institute of Chartered Accountants issued section 3110, Asset Retirement Obligations effective for fiscal years beginning on January 1, 2004. The Company implemented the Canadian standard effective January 1, 2003 for the purposes of harmonization. For Canadian GAAP, the cumulative effect of the change in policy on the balance sheet at December 31, 2002 is to increase mineral properties by $130,000, decrease asset retirement obligation by $865,000 and increase opening retained earnings by $1,093,000. Under U.S. GAAP, no restatement of prior periods is required. The effect on the change in policy for the year ended December 31, 2003 was to increase earnings under U.S. GAAP by $995,000.

ix) New Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board ("FASB") issued FAS No. 151, which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material as they relate to inventory costing and requires these items to be recognized as current period expenses. Additionally, the allocation of fixed production overheads to the cost of inventory should be on the normal capacity of the production facilities. FAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not believe that the application of FAS No. 151 will have a material impact on the consolidated statements under U.S. GAAP.

In December 2004, FAS No. 123 (revised) "Share-Based Payment", was issued. This statement requires an entity to recognize the grant date fair value of stock options and other equity-based compensation issued to employees. In the income statement, FAS No. 123 (revised) eliminates the ability to account for share-based compensation transactions using the intrinsic value method in APB No. 25. The Company will adopt FAS No. 123 (revised) in 2006 in accordance with the appropriate transition options and adoption period prescribed in the statement. The Company does not expect that the adoption of this standard will have a material impact on the consolidated financial statements.

In May 2005, the FASB issued FAS No. 154, "Accounting Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FAS No. 3". FAS No. 154 requires retrospective application of changes in accounting principle to prior periods' financial statements, rather than the use of the cumulative effect of a change in accounting principle, unless impracticable. If impracticable to determine the impact on prior periods, then the new accounting principle should be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable, with a corresponding adjustment to equity, unless impracticable for all periods presented, in which case prospective treatment should be applied. FAS No. 154 applies to all voluntary changes in accounting principle as well as those required by the issuance of new accounting pronouncements if no specific transition guidance is provided. FAS No. 154 does not change the previously issued guidance for reporting a change in accounting estimate or correction of an error. FAS No. 154 becomes effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect this policy to have a material impact on the consolidated financial statements. The Company will adopt FAS No. 154 on January 1, 2006.

In March 2005, the FASB issued Financial Interpretation 47, Accounting for Conditional Asset Retirement Obligations (FIN 47). FIN 47 clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Fin 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of this statement did not have a material impact on Claude's consolidated financial statements.

In March 2005, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 04-6, Accounting for Stripping Costs Incurred during Production in the Mining Industry. In the mining industry, companies may be required to remove overburden and other mine waste materials to access mineral deposits. The EITF concluded that the costs of removing overburden and waste materials, often referred to as "stripping costs", incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. Issue No. 04-6 is effective for the first reporting period in fiscal years beginning after December 31, 2005, with early adoption permitted. Claude does not expect the adoption of this statement will have a material impact on its consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

In March 2005, the FASB issued Financial Interpretation 47, Accounting for Conditional Asset Retirement Obligations (FIN 47). FIN 47 clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Fin 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of this statement did not have a material impact on Claude's consolidated financial statements.

In March 2005, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 04-6, Accounting for Stripping Costs Incurred during Production in the Mining Industry. In the mining industry, companies may be required to remove overburden and other mine waste materials to access mineral deposits. The EITF concluded that the costs of removing overburden and waste materials, often referred to as "stripping costs", incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. Issue No. 04-6 is effective for the first reporting period in fiscal years beginning after December 31, 2005, with early adoption permitted. Claude does not expect the adoption of this statement will have a material impact on its consolidated financial statements.

Executive Group

Directors & Officers

Arnie E. Hillier
Chairman

Neil McMillan
President & Chief Executive Officer

Rick Johnson
Vice President Finance & Chief Financial Officer

Pat Hannon
Vice President Exploration

Brian Groves
Vice President Corporate Development

Ronald G. Walker
Director

Jon R. MacNeill
Director

Bob Termuende
Director

Claude Resources Inc.

(CRJ - TSX)
(CGR - AMEX)
200, 224 - 4th Avenue S.,
Saskatoon,
Saskatchewan, Canada
S7K 5M5
306.668.7505
306.668.7500 Fax

Incorporation

Canada Business Corporations Act

Capitalization and Listings

72,461,686 common shares outstanding
Exempt issuer under SEC Regulation 12g3-2(b)

Directors & Officers

Arnie E. Hillier
Neil McMillan
Ronald G. Walker
Jon R. MacNeill
Bob Termuende
Rick Johnson
Pat Hannon
Brian Groves

Transfer Agents

Valiant Trust Company
Calgary, Canada

Auditors

KPMG LLP
Saskatoon, Canada

Solicitors

MacPherson Leslie & Tyerman
Saskatoon, Canada

Bank

Canadian Western Bank

The Annual General Meeting of the shareholders of Claude Resources Inc. will be held in Saskatoon at the Sheraton Cavalier Hotel at the Top of the Inn at 10:00 a.m. on Tuesday, May 9, 2006.

Shareholders are encouraged to attend. Those unable to attend should complete the form of proxy included with the Shareholder Information Circular and forward it to Valiant Trust Company at the address specified on the form of proxy for receipt no later than 24 hours before the meeting.

AMEX Corporate

The Company's common shares are listed on The American Stock Exchange ("AMEX"). Section 110 of the AMEX company guide permits AMEX to consider the laws, customs and practices of foreign issuers in relaxing certain AMEX listing criteria, and to grant exemptions from AMEX listing criteria based on these considerations. A description of the significant ways in which the Company's governance practices differ from those followed by U.S. domestic companies pursuant to AMEX standards is contained on the Company's website

www.clauderesources.com

Claude Resources Inc. 2005 Annual Report

Claude Resources Inc.
200, 224 - 4th Avenue South
Saskatoon, Saskatchewan, Canada S7K 5M5
P 306.668.7505 F 306.668.7500
www.clauderesources.com
clauderesources@clauderesources.com

Printed in Canada